Business Taxes in Kansas and Nearby States
Volume 1: Overview of State and Local Taxation in the Region

Final Report of the Kansas Inc. Business Tax Study

prepared for
Kansas Inc.

by

Patricia Oslund
Research Economist

Dr. Mohamed El-Hodiri, Principal Investigator
Professor of Economics, and
Director of Economic Research, IPPBR

Anthony L. Redwood
Professor of Business
Executive Director

Institute for Public Policy and Business Research
607 Blake Hall
University of Kansas
Lawrence, Kansas 66045

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Table of Contents

Acknowledgements vi

Introduction 1

Overview of State and Local Tax Structures 2

Consequences of State and Local Tax Structures 8

The Individual Income 10

The Corporate Income Tax 14

Property Tax 27

Property Tax Abatement 32

Sales Tax 35

Enterprise Zones 42

Unemployment Insurance and Worker Compensation 47

Major Tax Revisions Since 1987 52

Conclusions 54

Appendix A
- State and Local Tax Data: Colorado 55
- State and Local Tax Data: Iowa 56
- State and Local Tax Data: Kansas 57
- State and Local Tax Data: Missouri 58
- State and Local Tax Data: Nebraska 59
- State and Local Tax Data: Oklahoma 60
- State and Local Tax Data: United States 61

Bibliography 62

List of Tables

Table 1 Individual Income Tax 13

Table 2 State Corporate Income Tax Rates, Federal Deductibility, and Effective Tax Rates 16

Table 3 Example of Income Apportionment for a Multi-State Firm Using Alternative Allocation Formulas 17

Table 4 Allocation Methods for Income of Multi-State Firms 18

Table 5 Research and Development Tax Credit 20

Table 6 Venture Capital Tax Credits 20

Table 7 New Job and Investment Tax Credits 23

Table 8 New Job and Investment Tax Credits Within Enterprise Zones 25

Table 9 Property Tax Rates and Ratios, 1988 31

Table 10 Property Tax Abatements 34

Table 11 Sales Tax Rates 38

Table 12 State Sales Taxes 39

Table 13 Sales Tax Exemptions for Business 41

Table 14 Enterprise Zone Tax Benefits 45

Table 15 Unemployment Insurance Rates and Bases, 1990 48

Table 16 Unemployment Insurance Benefits and Net Worth, 1988 49

Table 17 Worker Compensation Payments and Premiums, 1988 51

Table 18 Worker Compensation Rates, 1988 51

Table 19 Major Tax Revisions Since 1987 53

List of Figures

Figure 1 State and Local Tax Revenue 1988, Per Capita 3

Figure 2 State Tax Revenue Comparisons 1988, Total State Tax Revenue 4

Figure 3 State Tax Revenue Sources 1988, Per Capita 5

Figure 4 State Tax Revenue Sources 1988, Percent of Total State Tax Revenue 5

Figure 5 Local Tax Revenue Comparisons 1988, Total Local Tax Revenue 6

Figure 6 Local Tax Revenue Sources 1988, Per Capita 7

Figure 7 Local Tax Revenue Sources 1988, Percent of Total Local Tax Revenue 7

Figure 8 Corporate Income Tax, as Percentage of State Revenues 14

Figure 9 Property Tax, Per Capita 27

Figure 10 Sales Tax, as a Percent of State and Local Taxes 35

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The opinions expressed in this report are solely those of the author.

Introduction

Business taxation continues to be a major concern of legislators, policy makers, and other community leaders. Kansas must offer a sufficiently attractive business climate in order to maintain jobs, income, and a high standard of living in the 1990s. The business climate in a state depends on the productivity of its labor, its proximity to major markets, the strength of its educational system, the quality of life in its communities, and a multitude of factors in addition to taxation. But taxes remain a focus of attention because, unlike quality of life factors, they fall under the direct control of state decision makers.

Kansas Inc. has recently funded a two-part study of business taxation and business costs in Kansas and five nearby states: Colorado, Iowa, Missouri, Nebraska, and Oklahoma. The first part of the study, presented in Volume 1 of the Final Report, describes state and local taxation in the region. The report presents a historical overview, and then turns to a detailed comparison of specific taxes on income, property, sales, and labor. The study considers the basic tax rate structures of the states and identifies the numerous tax incentives available to new and expanding businesses.

The second part of the study, presented in Volume 2 of the Final Report, takes a quantitative approach to interstate tax comparisons. The Institute for Public Policy and Business Research developed a tax and cost simulation model to analyze the impact of business taxes on typical firms in each of several important industries. The estimates of taxes and costs provided by the simulation model provide insights into whether taxes place Kansas at a competitive disadvantage.

Overview of State and Local Tax Structures

The states in the region surrounding Kansas exhibit a variety of tax structures. The states differ considerably in per capita intensity of taxation, and in the breakdown of tax collections between state governments and local authorities. The states have also made different choices about the types of taxes to employ, which has serious implications for the fairness and stability of their tax systems.

Per Capita Revenues

Per capita tax revenues provide both a general indicator of the level of taxation in a state and an indicator of the ability to provide government financed services. Figure 1 shows that the states in the region fall into two groups with respect to this measure. The higher taxed states, Colorado, Iowa, Kansas, and Nebraska, collected revenues between $1700 and $1550 during 1988. Kansas, with tax revenues of $1681 per capita, ranked 23rd in the nation, substantially below the national average of $1777. The lower taxed states in the region, Missouri and Oklahoma, each collected less than $1400 per capita in 1988; they ranked 41rd and 39th in the nation respectively. In Missouri, low tax collections result from a history of policy choices; Missouri collections per capita have ranked in the lowest ten in the nation throughout the 1980s. The situation differs substantially in Oklahoma, where low tax collections appear to be a result of a downturn in the oil and gas industry. Hard times in these industries cut severance tax revenue in half from a high of $777 million in 1983 to a low of $370 million in 1987. Oklahoma has faced difficulty replacing such a large revenue loss from other sources.

State and Local Taxes

States divide the authority to tax among many jurisdictions. In addition to the state government itself, states empower counties, cities, school districts, and other special districts to collect taxes and to provide public services. As illustrated in Figure 1, local taxing authorities in Colorado, Iowa, Kansas, and Nebraska collect a share of total revenue at least equal to the national average of 39 percent. Missouri, and especially Oklahoma depend more heavily on state rather than local level taxes. However, there is no simple relationship between the amount of funds collected at the local level and the degree of support for locally provided services. With the exception of Nebraska, all of the states in the region

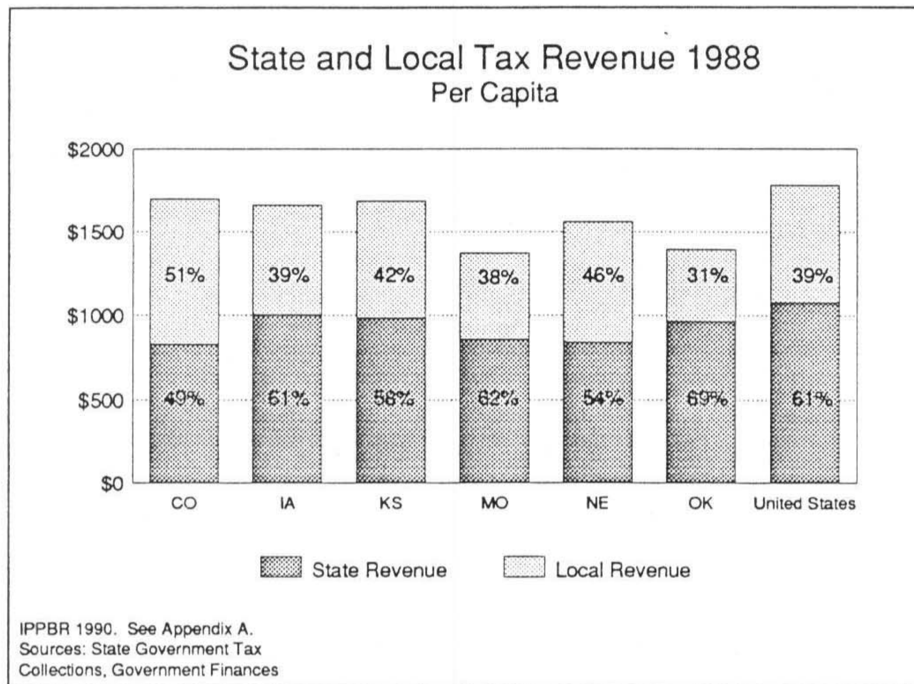


Figure 1

redistribute a substantial amount of funds from state to local jurisdictions, primarily to support education, and secondarily to support public welfare programs.

Composition of State Taxes

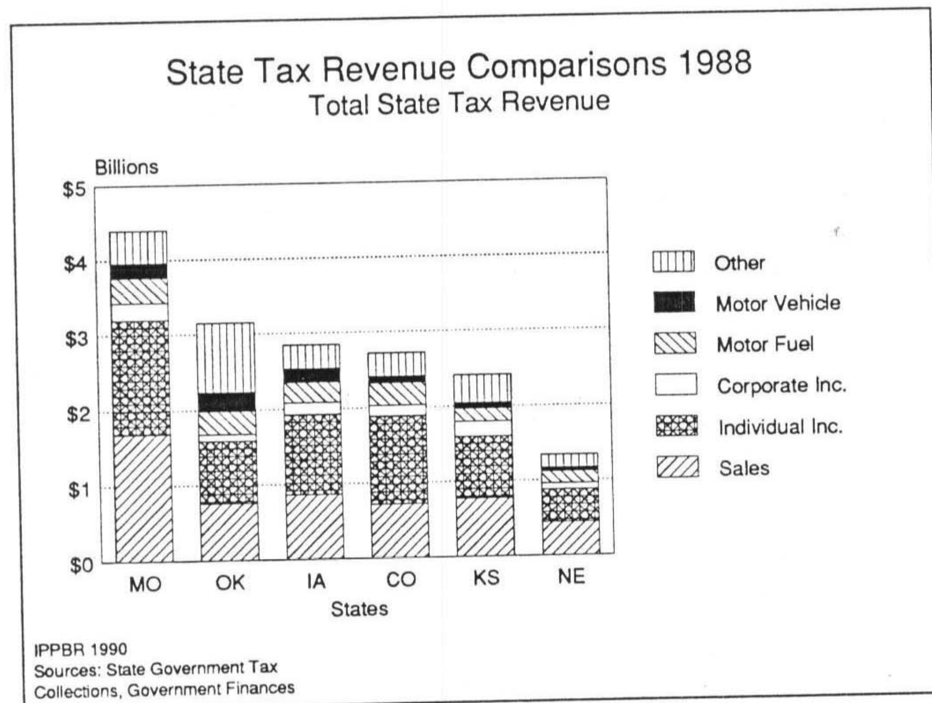
Not only do the states differ in the breakdown between local and state taxes, but they also differ in the importance of various taxes within the tax structure (see Figures 2-4 and Appendix A). In 1988, general sales taxes provided the single largest source of state level tax revenue in the U.S, followed closely by the personal income tax. Within the region, 1988 data for Missouri and Nebraska follow the national pattern, while Kansas, Colorado, Iowa, and Oklahoma derive the largest percentage of their receipts from personal income taxes.

On average, the states in the region receive about 5 to 6 percent of their tax revenue from corporate income taxes. Kansas stands out in the region with corporate taxes comprising over 8 percent of revenue in 1988. Taxes on selected products such as tobacco, alcohol, and particularly motor fuel provide

substantial contributions to state revenue. All of the states except Iowa impose severance taxes on natural resource extraction. However only in Oklahoma does this provide a large share of state finances.

An interesting pattern appears to have developed during the 1980s. For the U.S. as a whole, reliance on the general sales tax rose throughout the 1980s. Missouri, Oklahoma, and Iowa clearly followed this trend. In Kansas, sales taxes hovered around 32 percent of state revenue, but rose to almost 35 percent in 1987. In Nebraska, the general sales tax fell slightly as a percent of total revenue, while in Colorado taxes shifted decisively away from the sales tax.

In the region surrounding Kansas, the share of revenue due to the personal income tax has generally moved in the opposite direction of the sales tax. For example, Colorado sales taxes fell from about 36 percent of total revenue to 26 percent during the 1980s, while income taxes rose from 30 to over 42 percent of revenue. In Kansas, sales taxes fell from 34.9 to 31.7 percent of revenue between 1987 and 1988, while personal income taxes rose from 30.4 to 33.8 percent. The Kansas legislature acted in 1989 to reduce personal tax rates, so it is likely that the personal tax share will return to a level more typical of the decade, about 31 percent.



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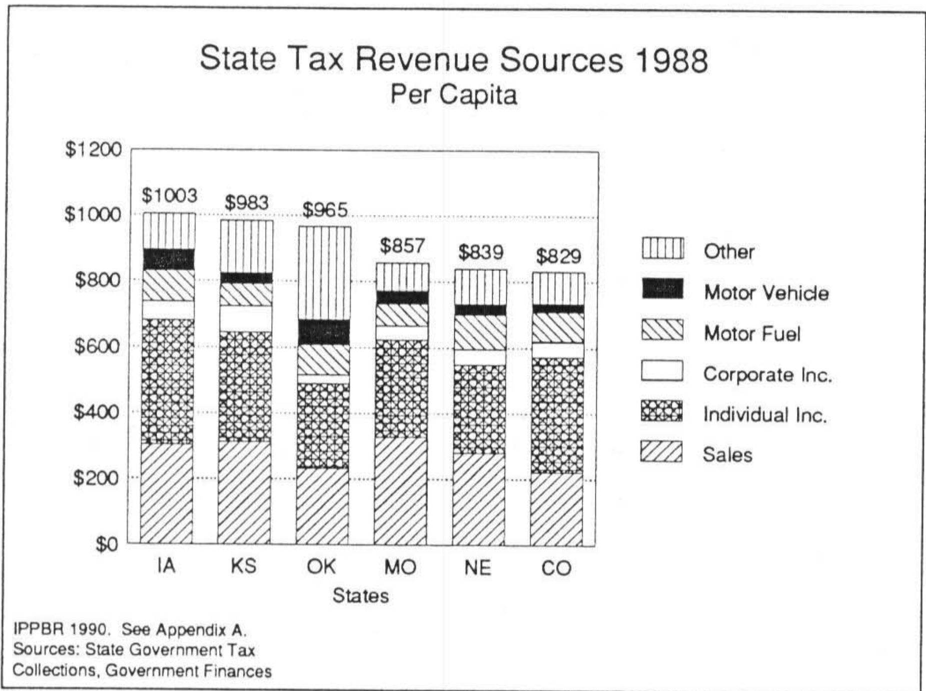

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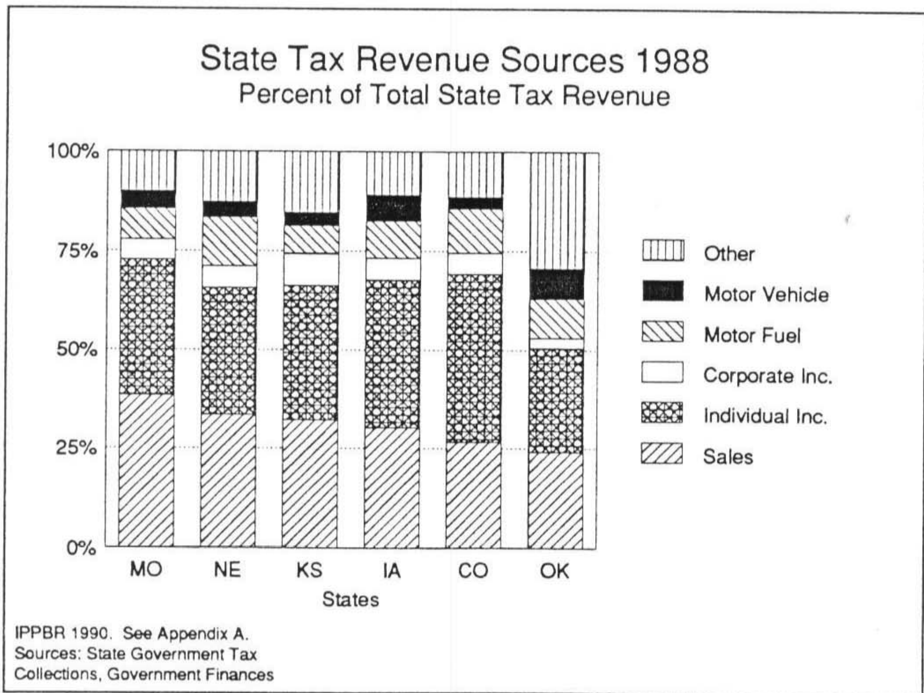
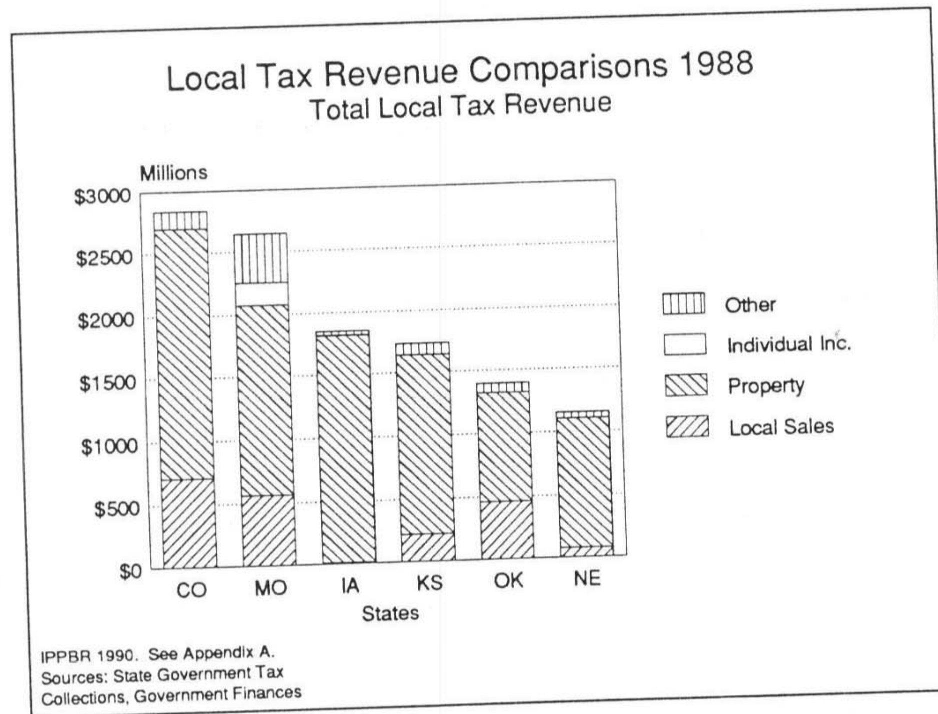


Figure 4

Composition of Local Taxes

Local governments depend primarily on property taxes for financing, as illustrated in Figures 5 through 7 and in the data in Appendix A. Within the region, the share of property taxes in local tax revenues runs from a high of over 98 percent in Iowa to a low of 57 percent in Missouri. In 1988, property taxes provided 82 percent of local tax receipts in Kansas. In both Kansas and Missouri, local sales taxes have exhibited an upward trend. While Kansas local governments derived a mere 3.3 percent of local tax revenue from sales taxes in 1981, by 1988 the share had risen to 12.4 percent. During the same period, the sales tax share of local revenues in Missouri rose from 15.3 percent to 21.3 percent in 1988. In Nebraska and Colorado, the sales tax share remained essentially constant throughout the 1980s, whereas the share fluctuated considerably in Oklahoma but showed no clear trend. Since Iowa localities have only recently gained the authority to impose sales taxes, it is still too early to determine whether this will become an important source of local finance.



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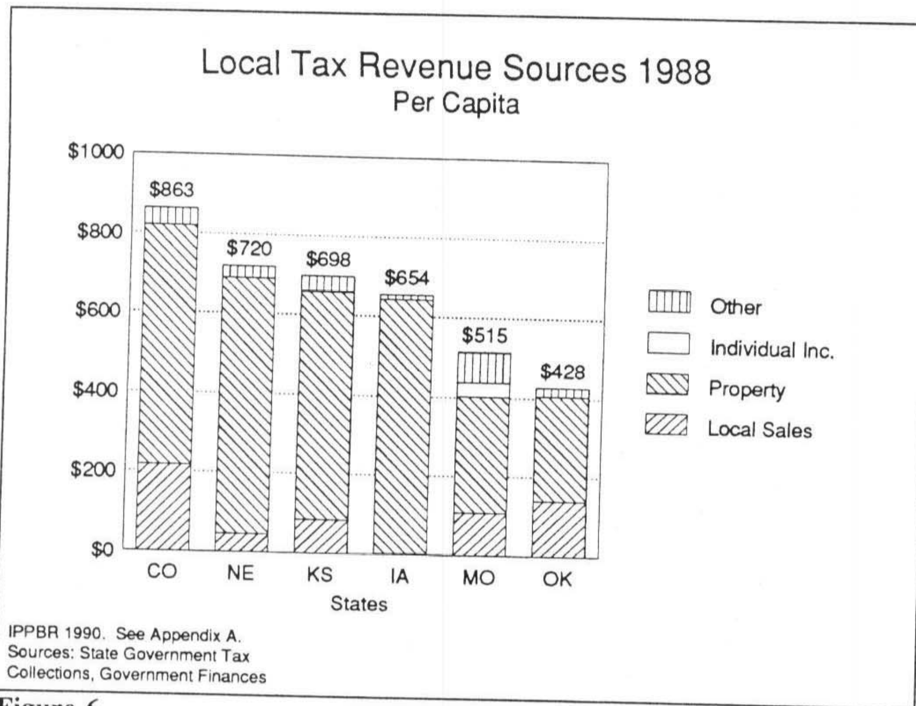

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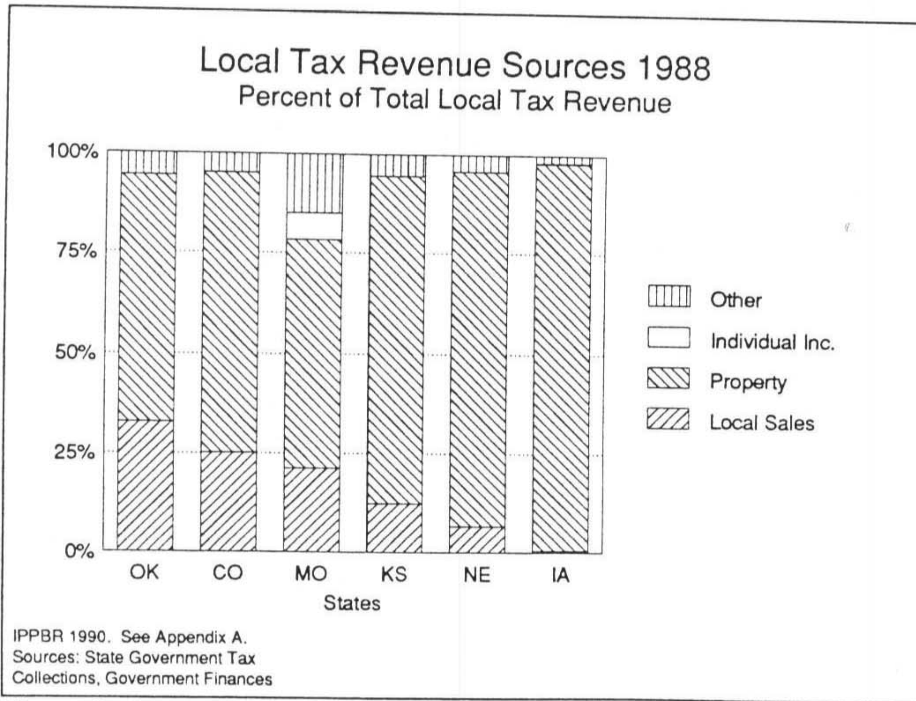

Figure 7

Consequences of State and Local Tax Structures

The primary goal of state and local taxation is, of course, to raise revenue for public services. However, the composition of state and local taxes suggests important consequences for the stability of a state's tax system, and for the distribution of the tax burden among social groups.

The term "stability" needs definition when applied to state and local taxes. An individual tax, such as the property tax, is stable if it exhibits only small fluctuations in its revenue generating ability between periods of recession and expansion. In a study of Georgia state revenues, White [1983], ranked taxes in terms of stability. Tobacco and sales taxes proved to be the most stable elements of the system, while income taxes, corporate and personal, proved highly unstable. White formulated the problem of state tax structures in terms of a trade-off between growth potential and instability. He found that although income taxes were among the least stable in the system, they also provided the greatest possibility of long term revenue growth. He proposed that states balance their tax systems by including high growth/high risk taxes along with more stable elements.

In terms of the region surrounding Kansas, the increasing reliance of state governments on the sales rather than income tax may enhance the stability of tax systems. Strong dependence on severance taxes, such as seen in Oklahoma, probably leads to increased variability of tax revenues [Olson and Kleckley, 1987].

So far, the discussion of stability has focused on state level taxes only. At the local level, property tax revenues are stable in the sense that community-wide assessed property valuations respond slowly to changes in business conditions[1]. Reliance on sales taxes at the local level is likely to introduce somewhat more instability into local finance systems to the extent that sales fluctuate with employment and income. Local income taxes would introduce a further source of instability.

Equity is as important as stability in evaluating state and local tax systems. It is essential to ask how the tax system affects families with different income levels. Under a progressive tax, lower income families pay a smaller percentage of their total income in taxes than do higher income families. Lower

[1] Mass reappraisal can lead to dramatic changes in assessed values. While these changes reflect general market trends, they do not reflect current fluctuations in the business cycle.

income families pay out the same percentage of their incomes as higher income families under a proportional tax; they pay out a greater percentage under a regressive tax. Many authors have examined the progressiveness of individual taxes and of state and local tax structures [Musgrave and Musgrave, 1986; Davies, 1986; Pechman, 1985]. A 1985 study done by Joseph Pechman of the Brookings Institution reached several important conclusions:

1. Combined state and local taxes are much less progressive than are federal taxes. Depending on the assumptions made, they are appear to be regressive or at best mildly progressive.

2. Income taxes are progressive. Although Pechman examines combined federal-state income taxes, it is likely that his results carry through for state systems, particularly where rates are graduated according to income class.

3. Whether property taxes are progressive or regressive depends critically on whether the property owner can pass the tax on in terms of higher prices. Under the assumption that property owners absorb costs due to taxes, Pechman finds that the tax is progressive, since property owners tend to be in higher income classes. Under the alternative assumption that owners pass on the tax to renters and consumers, Pechman finds that the tax is proportional for most income groups, but takes a disproportionate share from low income families.

4. Sales taxes are regressive. This conclusion holds up under a variety of different assumptions.

For the states in the region, increased dependence on sales taxes may make tax systems more regressive. This undesirable effect is probably modified in states such as Nebraska where basic goods such as food and medicines receive sales tax exemptions. Overall, the states have a difficult balancing act in providing stable revenue sources while maintaining a tax system that is perceived as fair.

The Individual Income Tax

The individual or personal income tax is indispensable to state finance throughout the region. In all of the states considered in this study, it provides the largest or second largest source of state taxes, ranging from a low of 25 percent in Oklahoma to a high of 40 percent in Colorado. Tax rates rise progressively with income in all states except Colorado, which has recently adopted a flat rate of 5 percent. In the states with graduated systems, the rate faced by the highest tax bracket varies from 5.9 percent in Nebraska to 9.98 percent in Iowa. In Kansas, the rate currently stands at 6.1 percent. Only Missouri imposes a local as well as a state income tax: Kansas City and St. Louis levy a tax of 1 percent of earnings.

No state tax has undergone more reform than the personal income tax. Most of these reforms owe their existence to major federal tax changes enacted in the Tax Reform Act (TRA) of 1986. State departments of revenue still feel the repercussions of this legislation.

Two basic themes dominated TRA. First, the legislation significantly lowered federal tax rates for individuals and corporations to below their 1986 levels. For the highest personal tax bracket, marginal rates fell from 50 percent to 28 percent. Second, the act expanded the tax base to compensate for lower rates by removing deductions and exclusions, while at the same time removing very low income families from the tax rolls all together. As a result, federal adjusted gross income and taxable income rose.

Changes in federal tax law translated immediately into projected increases in state tax collections. This phenomenon become known as the state tax "windfall." Why the windfall? Most states couple their tax systems with the federal system, using the federal definition of adjusted gross income and patterning deductions after the federal model. As federal adjusted gross income rises, a given set of state tax rates will generate more revenue automatically. A further source of the windfall revenues arises in states which allow federal taxes to be deducted from state taxable income, because as federal tax collections fall, state taxable income and tax collections rise accordingly. The Advisory Council on Intergovernmental Relations [1988] has estimated the windfall at over $150 million for Kansas and over $5 billion for the entire U.S. The windfall issue has stimulated state legislatures to revamp income tax structures, both personal and corporate, to avoid the political repercussions of large automatic increases in state revenues.

State by State Account of Individual Income Taxes and Reforms

Kansas

In May, 1988, Governor Hayden signed legislation which the Kansas Department of Revenue described as "the most significant revision in the 55-year history of the State's individual income tax code" [1988b, p. 1]. The key provision replaced a system of eight tax bracket rates with a simple two rate system. Kansas standard deductions rose, and the personal exemption and itemized deductions were brought into conformity with federal practice. The deduction for federal taxes was also eliminated. In 1989, Kansas continued tax reform. Basic rates were reduced for both tax brackets of single taxpayers, and for the lowest bracket of married taxpayers. Additionally, Kansas taxpayers were offered the option of paying higher rates with federal tax deductibility, or lower rates with no deductibility. It is estimated that 92 percent of taxpayers will choose the system with lower rates [Kansas Department of Revenue, 1989b].

Colorado

In 1987, Colorado passed its first major income tax revision since 1964. Colorado replaced its graduated income tax rate schedule with a flat rate 5 percent applied to federal taxable income. While the tax rate on the highest income bracket fell from 8 to 5 percent, many large deductions were eliminated, the most important being a deduction for the payment of federal income taxes.

Iowa

In 1988, Iowa legislated its first change in income tax rates since 1975. Prior to 1988, rates ranged from 0.5 to 13 percent. Rates have now decreased substantially, with the lowest rate falling to 0.4 percent and the highest rate, which does not become effective until income reaches $45,000, falling to 9.98 percent. Federal income taxes remain 100 percent deductible from the Iowa tax base.

Federal deductibility lowers the *adjusted marginal* state tax rate in Iowa and in all states where it is allowed. Consider, for example, a taxpayer earning over $45,000. The taxpayer falls in the highest tax bracket for federal and state taxes. If the taxpayer earns an extra $100, he pays an extra $28 in federal income taxes. Since federal taxes are deductible in Iowa, the taxpayer adds only $72 to his Iowa income, on which he pays additional state income taxes of $7.19. Measured against his total increase in income of $100, his actual tax rate has been 7.19 percent rather than the statutory rate of 9.98 percent. Table 1

presents a regional comparison of adjusted marginal tax rates for taxpayers in the highest income bracket.

Nebraska

The Nebraska legislature overhauled the income tax system in 1987. Before 1987, Nebraska taxes were calculated as a percentage of federal tax liability. The 1987 reforms brought Nebraska into greater conformity with other states in the region. Starting in 1987, tax calculations use federal adjusted gross income as a starting point. The new system has four rates, ranging from 2.0 to 5.9 percent. Although the standard deduction was originally lower than that allowed on federal taxes, this discrepancy has now been eliminated. Federal taxes are not deductible from the Nebraska tax base. Beginning in 1989, Nebraska allows a one time exemption on capital gains realized by Nebraska residents who sell or exchange the stock of a Nebraska company with which they are employed. The rationale of this provision is to help Nebraska companies recruit employees, as well as to improve the retirement income of Nebraska workers [Nebraska Department of Revenue, 1989a].

Oklahoma

The Oklahoma legislature made modest amendments to personal tax rates in 1988. As in Kansas, the state offered taxpayers a choice of whether or not to deduct federal taxes. Taxpayers who elected not to deduct federal taxes were unaffected by legislative changes. Rates now range from 0.5 percent to 6 percent of taxable income. The highest marginal rate comes into effect at a fairly low income level, $15,000 for married taxpayers filing jointly. However, Oklahoma reduced rates for taxpayers who deduct federal taxes. The highest rate was reduced from 17 percent to 10 percent for both married and single filers. Married filers now enter the highest tax bracket at $23,000.

Missouri

Missouri legislators have not undertaken major revisions of the income tax system during the 1980s. Tax rates are graduated in 10 increments between 1.5 and 6 percent, the highest tax bracket becoming effective when taxable income reaches $9000. Federal taxes are 100 percent deductible from the income tax base in Missouri.

The cities of Kansas City and St. Louis impose an additional 1 percent tax on earnings within their jurisdictions. Under a 1987 federal court order, a surcharge of 1.5 percent was added to the state tax rate on income earned within the Kansas City school district, but the surcharge was later overruled.

Table 1
Individual Income Tax

State	Rates	Federal Deduction	Adjusted Rate[1]	Reforms Since 1986
Colorado	5% flat rate on taxable income.	No	5%	Yes
Iowa	Graduated in 9 stepped increments from 0.4% to 9.98%. Highest bracket effective at $45,000.	Yes	7.19%	Yes
Kansas	Choice of two methods. Rates shown for single taxpayers. With no federal deductibility, 3.65% of income less than $35000, plus 5.95% of income over $35,000. With federal deductibility, graduated from 4.75% to 8.75%. Highest tax bracket effective at $30,000.	Option	6.3% with federal deduction. 5.95% with no deduction.	Yes
Missouri	Graduated in 10 stepped increments from 1.5% to 6%. Highest bracket effective at $9000.[2]	Yes	4.32%	No
Nebraska	Graduated in 4 stepped increments from 2% to 5.9%.	No	5.9%	Yes
Oklahoma	Choice of two methods. With no federal deductibility, graduated from 0.5% to 6%. Top bracket effective at $15,000 for married filers, $7500 for single. With federal deductibility, graduated from 0.5% to 10%. Top bracket effective at $23,000 for married filers, $15,250 for single filers.	Option	7.2% with federal deduction. 6% with no deduction.	No

[1] Adjusted tax rate accounts for federal deduction. It is the rate which would be paid on additional income, calculated assuming that the taxpayer is in the 28% rate bracket for federal income taxes, and in the highest bracket for state taxes.

[2] Missouri also has an additional local personal income tax in the cities of Kansas City and St. Louis, equal to 1% of earnings.

SOURCES: Information provided by individual state departments of revenue and *State Tax Review*, Commerce Clearing House, 1989.

The Corporate Income Tax

Each of the states in the region levies a corporate income tax on net profits or taxable income derived from within the state. As a source of state finance, the corporate tax appears small, comprising less than 10 percent of total state tax revenue for the U.S. on average. In Kansas, dependence on the corporate income tax approximates the U.S. average and substantially exceeds the regional average (Figure 8). But while corporate income taxes may be a small source of total revenue, they are an important cost to businesses. Of taxes paid by firms to state and local governments, the corporate income tax generally ranks second after the property tax (see Volume 2 of this report).

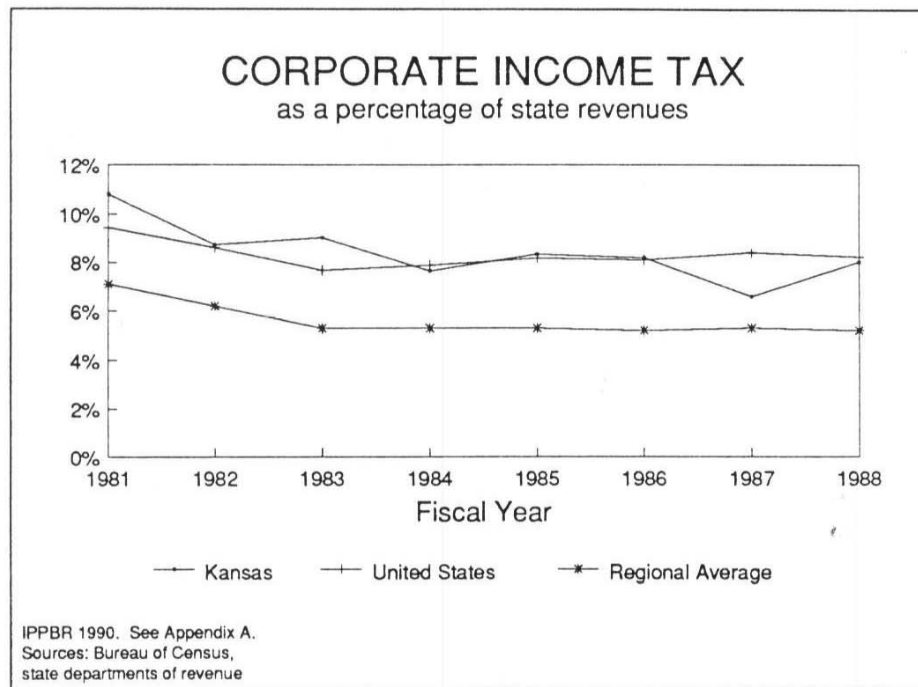

Figure 8

Tax Rates

Tax rates in the region surrounding Kansas average between 5 and 6 percent. On the low end, Kansas taxes the first $25,000 of income at 4.5 percent. On the high end, Iowa taxes incomes over $250,000 at 12 percent. Colorado is now in the process of implementing a rate reduction from 6 percent

to 5 percent for high income firms. Under emergency financial pressure due to unanticipated tax refunds to pensioners, Missouri recently instituted a temporary tax increase from 5 percent to 6.5 percent for high income firms. Nebraska passed legislation in 1990 raising corporate rates from 4.75 percent to 5.17 percent on incomes less than $50,000, and from 6.65 percent to 7.24 percent on any excess over $50,000. Kansas experimented with an alternative minimum tax on corporations in 1988, but repealed the tax in 1989.

It is important to note that comparisons of state tax rates can be misleading. The states exhibit considerable variations in the allowable deductions, in income allocation methods, and in economic development incentives, all of which influence corporate tax bills. Each of these three differences in tax structure will be examined in detail later in this study.

Deduction for Federal Taxes

All of the states in the region use the federal definition of taxable income as a starting point for state tax calculations. To generalize, federal taxable income is then modified through additions and deductions. Two states in the region permit a deduction for federal taxes paid. Missouri allows a deduction of 100 percent of federal taxes, while Iowa allows a 50 percent deduction, both of which substantially reduce tax liabilities. Table 2 quantifies the impact of the deduction, by contrasting statutory and adjusted marginal tax rates.

Income Allocation for Multi-State Firms

A recurrent problem in state income taxation is the treatment of income of multi-state firms. State tax laws divide the income of the firm over competing jurisdictions. However, since each state is free to decide its own allocation rules, there is no assurance that exactly 100 percent of income will be taxed overall.

Nationally, a "three factor" formula based on sales, payroll, and property serves as a standard for income allocation. The example in Table 3 demonstrates how the income allocation works. The firm calculates the ratio of in-state dollars to total dollars for each factor, and then averages the three ratios. The resulting average, 0.54 in the example, gives the fraction of total income taxed by the particular state.

Table 2
State Corporate Income Tax Rates, Federal Deductibility, and Effective Tax Rates

State	Statutory Rates	Marginal Adjusted Rates[1]	Federal Deductibility
Colorado	For FY 1987-1988:		No
	First $50,000 -- 5.5%	5.5%	
	Excess of $50,000 -- 6%	6.0%	
	Beginning in FY 1989: a flat rate of 5% will be phased in, fully effective July 1, 1993.	5.0%	
Iowa	First $25,000 -- 6%	5.0%	50% of federal income tax is deductible
	Next $75,000 -- 8%	6.6%	
	Next $150,000 -- 10%	8.3%	
	Over $250,000 -- 12%	10.0%	
Kansas	First $25,000 -- 4.5%	4.5%	No
	Over $25,000 -- 6.75%	6.75%	
Missouri	Flat 5%[2]	3.3%	100% of federal income tax is deductible
	Effective Jan. 1, 1990-Dec. 1991:		
	Less than $100,000 -- 5%	3.3%	
	$100,000-$335,000 -- 6%	4.0%	
	More than $335,000 -- 6.5%	4.3%	
Nebraska	First $50,000 -- 5.17%	5.17%	No
	Over $50,000 -- 6.65%	6.65%	
Oklahoma	Flat 5%	5.0%	No

[1] The calculation assumes a marginal federal tax rate of 34%.
MARGINAL ADJUSTED RATE = STATUTORY RATE x (1 - .34 x deductibility fraction).

[2] 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.

SOURCES: Information provided by individual state departments of revenue, state statutes, and *All State Tax Guide*, Prentice Hall, 1988.

Table 3
Example of Income Apportionment for a Multi-State Firm Using Alternative Allocation Formulas

	Total	In-State	Ratio: In-State to Total
Sales	$400,000	$30,000	.075
Payroll	$200,000	$150,000	.75
Property	$200,000	$160,000	.80
In-State Allocations:			
3 factor: 1/3 each sales, payroll, property			.54
2 factor: 1/2 sales, 1/2 property			.42
single factor: sales only			.075

Source: Calculated by IPPBR.

As an alternative to the three factor formula, some states rely on allocations based on sales and property, or on sales alone. As shown in the example in Table 3, the allocation formula significantly changes the amount of income subject to in-state taxation. This holds particularly for an export oriented firm, that is, a firm selling a large percentage of its output outside state boundaries. The higher the weight given to sales, the lower will be the allocation fraction for such firms. Under a sales only criterion, the export oriented firm pays minimal taxes in the state where it concentrates production. While the firm will also pay some taxes out-of-state, this amount is largely independent of the amount paid in-state. The export oriented firm finds a distinct advantage in locating its production facility in a state with a sales only allocation formula.

Almost every variety of income allocation method can be found in the region surrounding Kansas. Oklahoma relies exclusively on the three factor method, and Kansas uses the three factor method in most cases. Colorado offers firms a choice of using a two factor method based on sales and property, or the traditional three factor method. Firms whose only Colorado activity is sales have the option of paying

Table 4
Allocation Methods for Income of Multi-State Firms

Colorado	Choice of two factor formula (1/2 sales, 1/2 property), or three factor formula (1/3 each sales, property, payroll). For companies with no other Colorado activity except sales, with no owned or rented real estate in Colorado, and with gross sales under $100,000, and alternative is to pay 0.5% of gross receipts on sales in Colorado.
Iowa	Single factor formula based on sales only. Sales in Iowa defined as shipped to or delivered to Iowa destinations.
Kansas	Three factor formula (1/3 each sales, property, payroll). For firms with a payroll factor exceeding 200% of the average of the property factor and the sales factor, a two factor formula based 50% on sales and 50% on property is an option.
Missouri	Choice of single factor formula based on sales only or a three factor formula (1/3 each sales, property, payroll). When the sales only formula is used, sales considered to be in Missouri include all sales with destinations and origins in Missouri, plus 50% of sales with destinations in Missouri and origins outside Missouri, plus 50% of sales with origins in Missouri and destinations outside Missouri.
Nebraska	A single factor formula based on sales only will be phased in between 1988 and 1992. During the phase-in period, the single factor formula and a three factor formula will be combined, with increasing weight placed on the sales only formula. Nebraska sales are sales shipped to or delivered to Nebraska destinations.
Oklahoma	Three factor formula (1/3 each sales, property, payroll).

SOURCES: Information provided by individual state departments of revenue, state statutes, and *All States Tax Guide*, Prentice Hall, 1988.

0.5 percent of Colorado based gross receipts. In Missouri, firms may choose between the three factor method or a method based on sales alone. According to the Missouri Department of Economic Development [1989], about 90 percent of firms choose the sales only formula. Iowa bases income allocations on sales only; in Nebraska, the single factor formula will be phased in by 1992.

One final note on income allocation. The definition of an in-state sale is itself a matter of state tax policy. Most states employ a destination test; that is, the sale is in-state if the goods or services are shipped or delivered to a purchaser in-state. However, Missouri uses an alternative definition for firms

choosing the sales only method. In this context, Missouri sales consist of all sales with their origin and destination in Missouri, plus one half of sales with an origin in Missouri and a destination out-of-state, or a destination in Missouri and an origin out of state. The Missouri legislature formalized the definition of a Missouri sale during its 1988 session.

Economic Development Incentives

The states in the region take an active role in trying to encourage new and expanding businesses. States such as Nebraska have aggressively used tax incentives to pursue jobs and investment. Other states such as Kansas have included tax incentives in their economic development strategies in order to "level the playing field." All six states have introduced or expanded income tax incentives since 1986.

To generalize, income tax incentives generally fall into one of four categories: research and development incentives; venture capital credits; job and investment credits; and enterprise zone incentives. The specific programs and policies of each state are presented in detail below.

Colorado, Kansas, Iowa, and Nebraska all offer income tax credits to stimulate research and development activities. 1988 legislation in Colorado authorized tax credits for research and development expenditures made within enterprise zones. The law limits the credit to 3 percent of the amount by which research and development spending increases over its previous average. Kansas also focuses on expansions of research and development activities, granting a credit of 6.5 percent of increased expenditures. Iowa allows a 6.5 percent credit on increased spending on qualified research activities. Finally, Nebraska grants incentives for research and development under its Employment and Investment Growth Act. Benefits include sales tax refunds and income tax credits for jobs and investment.

Venture capital credits attempt to increase the pool of funds available for entrepreneurs to start or expand businesses. Three states in the region allow direct income tax credits for contributions to state authorized funds. Kansas permits credits for financial investments in certified venture capital funds, and in the Kansas local seed capital pools. The tax credit equals 25 percent of the cash investment in the qualified fund, allowing any unused portion of the credit to be carried over to future tax years. In 1988, Oklahoma initiated venture capital tax credits of 20 percent of cash investments in qualified venture capital companies. Contributors to a Missouri venture capital fund are entitled to credits of 30 percent against Missouri income or franchise taxes. These credits may be transferred or sold, and any unused credits may

Table 5
Research and Development Tax Credit

State	
Colorado	From 1989-1993, there will be an income tax credit for research and experimental activities conducted in Enterprise Zones. The credit is equal to 3% of the amount by which the amount spent in the taxpayer's income tax year exceeds the taxpayer's average of the total of such actual expenditures, whether in or outside the Enterprise Zone, made in the income tax year and the preceding income tax year. Unused credits may be carried over.
Iowa	6.5% of the apportioned share of increases in qualifying research expenditure in Iowa. Qualifications are tied to federal credit as it was defined in 1985.
Kansas	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 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	No special credits.
Nebraska	Income tax credits and sales tax refunds are available for the conducting of research, development, or testing for scientific, agricultural, animal husbandry, or industrial purposes. Incentives are offered under the Employment Expansion and Investment Incentive Act, and under the Employment and Investment Growth Act.
Oklahoma	No special credits.

SOURCES: Information provided by individual state departments of revenue and *All State Tax Guide*, Prentice Hall, 1989.

Table 6
Venture Capital Tax Credits

State	
Colorado	No venture capital credits.
Iowa	Prior to 1989, 5% credit for investment in original issue of approved venture capital funds. Credit repealed effective July, 1989.
Kansas	Credit of 25% for cash investments in approved venture capital funds, or Kansas local seed capital pools. Any unused credits may be carried over to future tax years until exhausted.
Missouri	Credit of 30% against corporate income or franchise tax for cash investments in qualified Missouri venture capital funds. Unused portions may be carried forward for 10 years. Effective 1990, a tax credit of 50% is allowed against corporate income of franchise tax for investments in Missouri Small Business Incubator Fund.
Nebraska	No venture capital credits.
Oklahoma	Credit of 20% for investments in qualified venture capital companies. 3 year carryover for unused credits.

SOURCES: Information provided by individual state departments of revenue, *All State Tax Guide*, Prentice Hall, 1989, and *State Tax Review*, Commerce Clearing House, 1989.

be carried over for up to 10 years. The investors also share in the fund's earnings. Finally, Missouri corporate taxpayers also receive credits of 50 percent for contributions to the Missouri Small Business Incubator Fund. Prior to 1989, Iowa allowed a credit of 5 percent for investment in the initial offering of a qualified venture capital fund. The credit was repealed, however, effective July 1, 1989.

All of the states in the region use job and investment credits to try to attract new industries, and to encourage the expansion of established industries. The amount of credit a firm receives depends directly on the amount of new activity it undertakes in the state. For most states, credits, once established, may be claimed for several years, provided that the firm keeps its new employees and investment in place.

The nature of job and investment credits varies considerably from state to state. While most states extend credits to a broad range of industries, Oklahoma limits credits to manufacturing and processing. Nebraska operates two distinct job and investment programs. A program authorized under the Employment Expansion and Investment Incentive Act provides large one-time credits. Nebraska targets these credits towards smaller firms. For larger firms, the Nebraska Employment and Investment Growth Act provides generous credits extended over a seven-year period. Kansas and Iowa tie any credits to a minimum job creation criterion. The same is true in Nebraska, except in the case of very large investments. Colorado, Oklahoma, and Missouri all allow credits based on investment alone. Of the states which offer investment credits, three appear to permit credits for firms which relocate within the state. For example, the Kansas Job Expansion and Investment Credit Act [K.S.A. 79-32,153] requires only that at least two workers are "engaged or maintained in employment" as a direct result of the investment. Similarly, Colorado and Oklahoma laws make no special distinctions for replacement facilities. In contrast, Missouri imposes additional investment criteria for replacement facilities, requiring at least $1,000,000 in investment. Nebraska uses a net investment criterion for established firms; only investment over and above the previous capital level of a firm can be used to as a basis of credits.

Four states in the region designate special *enterprise zones* in order to attract private business to economically depressed areas. Special tax incentives, generally targeted toward new jobs and investment, apply within the zone boundaries. Corporate income taxes in enterprise zones may be reduced through job and investment tax credits and through income tax exemptions. Additional tax incentives, which will be discussed in a separate section of this report, include sales tax refunds and property tax abatements.

Within enterprise zones, basic job and investment credits are generally doubled or tripled. Additionally, the states often provide special job credits found only within the zones. For example, Missouri offers credits tied to the employment of low income or under-trained enterprise zone residents. Colorado grants an extra credit when employees receive health care benefits. Kansas grants an extra $150 per employee credit for workers whose employment entitles a firm to a federal targeted jobs credit.

Enterprise zone credits, once granted, can generally be claimed for several years. It is critical to consider the time element when comparing the credits offered by the states. Kansas and Missouri extend credits for a ten-year period, magnifying the tax savings due to a single increase in jobs or investment. Oklahoma extends credits over five years, while Colorado credits apply for a single year only.

Missouri enterprise zone credits stand out in two ways. First, Missouri job credits are the largest in the region. Added to the basic $400 per year credit are credits of $400 per year for workers who live within the enterprise zone and $400 per year for workers with special employment problems. Over a ten year period, these credits provide large savings to employers. Second, Missouri offers a unique income tax exemption on earnings within enterprise zone boundaries. In essence, the exemption cuts the corporate income tax rate in half.

Despite criticisms from economists about the effectiveness of job and investment credits, the credits remain a popular business incentive. No state in the region has restricted or repealed its credits; on the contrary, many states have initiated or expanded their programs in the last few years. Nebraska legislated its major business incentive package in 1987, and strengthened the program in 1989 by increasing job credits from $1,000 to $1,500 and investment credits from $1,000 per $100,000 to $1000 per $75,000. Furthermore, Nebraska now offers taxpayers the choice of applying their credits towards the sales and use tax. In 1987, Oklahoma augmented its investment incentive program to include $500 credits for new workers, with the amount doubled for workers in enterprise zones. Colorado initiated major credits for firms in enterprise zones in 1986, and increased the scope of such credits in 1987.

Table 7
New Job and Investment Tax Credits

State	Tax Credit	Limitations	Qualifying Firms and Investments
Colorado	1% tax credit for investment in qualified depreciable property.	100% of tax liability up to $1,000. Excess credits may be forwarded up to 3 years.	Qualifying investments are defined by Internal Revenue Code investment tax credit rules in effect prior to 1986.
Iowa	6% of taxable wages that employers are required to contribute to the state unemployment insurance fund times the increase in employees. For 1989, the credit will equal $690 per new job.	a) Must enter into an agreement with an area community college to train new employees. b) Must increase employment by 10%. c) Excess credits may be forwarded up to 10 years.	All industries.
Kansas	$100/new job, $100 per $100,000 new investment.	50% of tax liability. The credit can be claimed each year for 10 years, provided employment remains at its increased level and capital investment remains in place. The credit will be recalculated if either jobs or investment change during the 10 year period. Beginning of credit period may be delayed 3 years.	Qualified businesses must be revenue producing enterprises, involving fabrication, processing, distribution, storage, sales, research, services, assembly, or administration. Must create at least 2 jobs. Public utilities do not qualify.
Missouri	New firm: $75 per new job. $75 per $100,000 new investment. Expanding firm: $100 per new job. $100 per 100,000 new investment.	100% of tax liability. Credits may be claimed up to 10 years. The credit may be recalculated if jobs or investment change. Beginning of credit period may be delayed for 2 years.	Manufacturing, warehousing, mining, and wholesaling qualify. New/expanding firm must create 2 jobs and invest $100,000, or invest $500,000. Replacement facilities must create 2 jobs and invest $1 million. Office tenants must invest $100,000 and create 50 jobs.
Nebraska	***smaller businesses***: $1,500 per new job, $1,000 per $75,000 new investment.	a) Must increase business by 2 full time employees. b) Minimum of $75,000 investment. c) Cannot exceed 50% of tax liability in any taxable year, but credits can be carried over 5 years.	Most firms qualify, including research and development, data processing, telecommunications, finance, manufacture, warehousing, transportation, wholesale trade, administration, livestock feeding, farming, ranching. Restaurants and most retailing firms do not qualify.

Table 7 cont.

State	Tax Credit	Limitations	Qualifying Firms and Investments
Nebraska cont.	***larger businesses***: 1)a) Tax credit of 5% of compensation paid to each new employee. b) 10% tax credit for investment in qualified depreciable property. c) Refund of sales and use taxes for all purchases of qualified depreciable property. d) Up to 15 years use of sales only apportionment for corporate income tax.	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) Unused credits must be used within 15 years.	Same as for smaller firms, except that livestock feeding and farming do not qualify.
	2) In addition to above: a) Personal property tax exemption for 15 years for turbine-powered aircraft and mainframe computers. b) Personal property tax exemption for 15 years for equipment used in the manufacturing or processing of agricultural products.	2)a) At least $10 million investment and 100 new jobs. b) Up to 100% of tax liability for 7 years. Excess credits may be used during a 15 year period.	
	3)a) Immediate use of sales only formula. b) Refund of sales and use taxes for all purchases of depreciable property.	3)a) At least $20 million investment.	
Oklahoma	Tax credit of 1% of investment in depreciable property, or $500 for each new full time equivalent employee, whichever is greater. Investment must be at least $50,000 for property credit. Minimum salary must be at least $7,000 for jobs credit.	100% of tax liability for each of 5 years. Credits not used may be carried over for 5 years.	Firm must be engaged in manufacturing or processing.

SOURCES: Information provided by individual state departments of revenue and commerce, and *All State Tax Guide*, Prentice Hall, 1989.

Table 8
New Job and Investment Tax Credits Within Enterprise Zones

State	Tax Credit	Limitations	Eligibility Requirements
Colorado	The tax credit is equal to 3% of the amount of investment (restrictions on statewide investment tax credits are less favorable).	100% of liability up to $5,000 plus 25% of tax liability above $5,000. Excess may be carried forward 7 years and back 3 years.	Business must qualify under federal investment tax credit guidelines which existed in 1986. Business must reside in an Enterprise Zone for at least one year. For job credits, must be a new facility used to operate a revenue producing enterprise. Effective 6-89, expansions may qualify if they result in 10 or more new workers.
	A new business gets a tax credit of $500/employee during the first year and $500/position created during subsequent years.	Up to 100% of tax liability. Excess credits are refundable.	
	An additional $200/employee during the first 2 years in the zone may be claimed for employees covered by a company-sponsored health insurance plan.	Up to 100% of tax liability. Not refundable, cannot be carried over.	
	Extra $500/new employee credit for processing agricultural products.	Up to 100% of tax liability. Excess refundable.	
Iowa	No Enterprise Zones.		
Kansas	$350/new job ($500/new job if employer is eligible for federally targeted jobs tax credit) and $350/$100,000 of new investment.	50% of liability for 10 years.	Business in an Enterprise Zone must be a revenue-producing enterprise paying Kansas income tax. In addition, a business must invest at least $51,000.
Missouri	Basic enterprise zone credits are $400/new employee and 10% of first $10,000 investment, 5% of next $90,000, and 2% of any remaining investment.	100% of eligibility for 10 years. 50% of excess refunded up $50,000 in first year of operation and $25,000 in 2nd year. Basic job and investment credits can be claimed for 10 years, provided the firm continues to meet eligibility criteria.	For any credits, a new firm must invest $100,000 and an expansion must invest $100,000 or, if less, 25% of original investment. Both must add 2 workers. All revenue producing businesses except utilities are eligible. Rental residential property for low income persons qualifies.

Table 8 cont.

State	Tax Credit	Limitations	Eligibility Requirements
Missouri cont.	50% of taxable income attributable to enterprise zone business is exempt from Missouri income tax.	Exemption extends for 10 years, provided firm continues to meet eligibility criteria.	To be eligible for investment credit or income exemption, 30% of firm employees must be zone residents or meet at least one of the following special employee criteria: a) when hired, employee was difficult to employ. b) when hired, employee has exhausted unemployment benefits and had remained unemployed at least 3 months after end of benefits. c) when hired, employee had been eligible for AFDC or relief.
	Other job credits: Resident credit: $100 for each 3 month period new business facility employee is resident of enterprise zone.	Continues throughout 10 year period.	Employee must be zone resident.
	Special employee credit: $100 for each 3 month period new business facility employee meets special employee criteria.	Continues throughout 10 year period.	Employee must meet at least one of a-c.
	Training credit: up to $400 for each resident employee or "difficult to employ" employee trained with company funds.	One-time credit.	Employee must be zone resident or difficult to employ.
Nebraska	No Enterprise Zones.		
Oklahoma	$1,000/new employee and 2% tax credit/$50,000 investment in qualified depreciable property.	100% of liability for 5 years. Investment cannot decrease the number of full-time employees in the state.	Business must be involved in either manufacturing or processing.

SOURCES: Information provided by individual state departments of revenue and commerce, and *All States Tax Guide*, Prentice Hall, 1989.

Property Tax

Both state and local governments levy property taxes on the value of land, buildings, and equipment owned by firms and households. Property taxes are particularly important for local governments; indeed, they provide the single largest source of local revenue in all states in the study area. Within the region, property tax shares range from 57 percent of local tax revenues in Missouri, to 98 percent in Iowa. Kansas local governments raise over 82 percent of their revenues from this source.

On a per capita basis, Kansas property taxes have risen at a fairly steady annual rate of about 5 percent throughout the 1980s. As shown in Figure 9, per capita property taxes have remained above the regional and U.S. averages. Preliminary Kansas figures for 1989 estimate per capita taxation at $598.

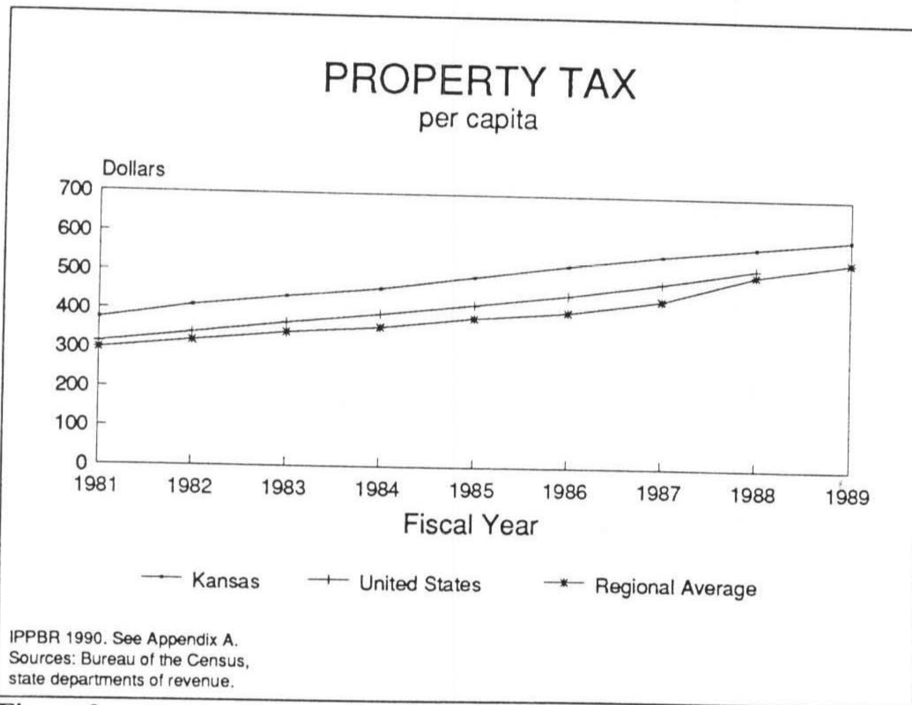

Figure 9

The property tax presents a significant cost to firms. However, the impact of the tax varies substantially from state to state and from industry to industry. The actual tax paid by a firm results from a complex interaction of tax rates, the types and amount of property owned, the definition of the tax base, assessment practices, and whether the firm qualifies for any special tax incentives.

The concept of *effective property tax rates* provides a key to understanding property taxation and to comparing taxes across states. The definition of an effective tax rate is simple; it is the annual tax bill divided by the true market value of a piece of property. Effective rates vary not only among states, but also among the major categories of property: residential real estate, commercial real estate, business machinery and equipment, and inventories.

Components of the Effective Tax Rate

Calculating an effective tax rate is easier in theory than in practice. In fact, any estimate of the rate must consider three components: the applicable mill levy, the statutory assessment ratio, and the relationship between appraised and market property values.

A mill levy is a tax rate expressed as the dollar tax per $1000 valuation. The total mill levy on a piece of property generally results from a combination of county taxes, city taxes, school district taxes, and taxes for special services such as sewers or fire protection. Within a single state, mill levies vary widely from location to location. Table 9 shows the range of rates applicable in each of the states as well as the state averages. Comparisons of mill rates across states are not meaningful.

Statutory assessment ratios define the percentage of a property's appraised value which is entered on the tax rolls. Three states in the region use differences in statutory ratios to distinguish the treatment of different types of property. In Iowa, industrial equipment is assessed at a much lower percentage than other types of property, 30 percent versus 100 percent. As of 1989, Kansas assesses residential property at 12 percent, commercial and industrial real estate at 30 percent, and industrial machinery at 20 percent. A 1982 constitutional amendment in Colorado requires that residential property provide no more than 45 percent of the tax base. In order to achieve this goal, assessment ratios of all other property is set at 29 percent and the residential ratio is adjusted by the legislature. The remaining states, Missouri, Nebraska, and Oklahoma, apply a uniform statutory assessment ratio to all classes of property. The Missouri and Nebraska rates are set at 33.33 percent and 100 percent respectively. In Oklahoma, a range of permissible rates is chosen by the legislature, and actual rates are chosen locally.

No area of property taxation causes more controversy than property appraisal. Ideally, property appraisals should reflect true market values. In practice, the divergence can be dramatic, particularly when

reappraisals are few and far between. A striking example of this has occurred in Kansas recently. Prior to 1989, assessments were based on real estate appraisals as much as twenty years old. Increases in property values came as a shock to many real estate owners. But reappraisal, along with the introduction of non-uniform assessment ratios, also shifted the property tax burden among classes of taxpayers. Homeowners were, at least in part, shielded from the impact of higher appraisals, since the assessment ratio fell simultaneously from 30 to 12 percent. Owners of commercial real estate, on the other hand, experienced large valuation increases with no corresponding ratio reductions. To simplify, commercial property owners will no doubt pay an increased share of Kansas property tax revenues. A similar controversy over appraisals has arisen in Colorado. In 1987, Colorado undertook its first major reappraisal in ten years. Values were updated to 1985 levels. Not surprisingly, the reappraisal effort led to large shifts in the property tax shares--industrial, agricultural, and mining shares fell at the expense of residential, commercial, and undeveloped real estate. To make things worse, the values of many commercial properties had fallen from their appraised 1985 levels due to a slowdown in the Colorado economy. Business owners worried about remaining competitive, and business people and homeowners alike rushed to appeal their assessments. To summarize, infrequent reappraisal weakens the link between assessments and market values, and may lead to unintended changes in property tax burdens.

Effective Tax Rates in the Region

Table 9 presents estimates of the effective tax rates in the region surrounding Kansas. The effective rate incorporates the state average mill rate, statutory assessment ratios, and an approximate ratio between the true and the appraised value for each class of property. Oklahoma property taxes rank lowest in the region, both for residential and commercial real estate. But unlike any other state in the region, Oklahoma includes inventories in its tax base, boosting property tax costs for businesses which find large inventories of raw material and finished goods essential. Missouri taxes commercial and industrial real estate at moderate rates, and exempts inventories from the property tax. Although commercial real estate taxes in Iowa stand at the second highest level in the region, taxes on machinery and equipment rank low, and inventories enjoy tax exemption.

Any conclusions about Kansas property taxes should be considered tentative at this time. During 1990 , the Kansas legislature considered a number of property tax relief and redistribution proposals. While none of the 1990 proposals became law, the issue is certain to be debated again in 1991. The effects of reappraisal and classification on the Kansas economy are now becoming clear. The tax burden has clearly shifted onto commercial and industrial real estate. While about 11 percent of property taxes

were paid by these categories in 1988, the share had risen to over 25 percent by 1989.[2] Effective tax rates on commercial and industrial real estate became by far the highest in the region after reappraisal and classification. At the same time, property taxes on machinery, equipment, and inventories, which were previously the highest in the region, fell substantially. The overall impact of property tax changes on the Kansas business depends on the type of business examined. Capital intensive industries with large inventories have probably benefitted by the recent changes, while service firms and office facilities have probably suffered from higher taxes.

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[2] Based on figures from Kansas Department of Revenue for non-residential, non-agricultural property.

Table 9
Property Tax Rates and Ratios, 1988

State	Average Mill Rate and Range[1]	Average Actual Assessment Ratio for 1988[3]	Statutory Assessment Ratio	Effective Tax Rate (%)[4]
Colorado	49.05 - 129.28 69.03	Real estate assessments are based on 1985 values. Starting in 1989, will be based on 1988 values. 1988: 16.9% - residential. 41.4% - commercial. 34.5% - industrial.	16% residential. 29% commercial, industrial. 29% machinery and equip. Inventories exempt.	1.16% residential. 2.86% commercial. 2.38% industrial. 2.00% mach. and equip.
Iowa	23.05 - 38.74 25.66	80.64% residential. State sets adjustment % based on legal limits of property value increases.	100% real estate. 30% of acquisition cost for indust. mach. and equip. All other including inventories exempt.	2.07% residential. 2.57% other real estate. 0.77% indust. mach.
Kansas	48.4 - 151.0 (1989) 130.40[2] 111.43 (1989)	1988: 7.52% - residential. 11.35% - commercial. 12.84% - industrial. 1989: 12% residential. 30% commercial, industrial. 20% machinery and equipment.	1988: 30% all property inc. inventory. 1989: 12% resid. 30% commercial, industrial. 20% machinery, equipment. Inventories exempt.	1988 and 1989 rates: 0.94% 1.38% residential. 1.48% 3.34% commercial. 1.67% 3.34% industrial. 3.91% 2.23% machinery. 3.91% 0 inventory.
Missouri	23.90 - 77.70 47.4 10.2 surtax on business real estate.	18.7% residential real estate. 19% residential. 31.2% commercial, industrial real estate	0.89% residential. 32% comm., ind. real estate. 33 1/3 % machinery, equip. Inventories exempt.	1.80% commercial, ind. 1.57% machinery.
Nebraska	23.07 - 37.93 24.85	87.8% residential real estate. 92.8% commercial, industrial real estate.	100% all classes. Inventories exempt.	2.18% residential. 2.31% commercial, ind. 2.49% machinery.
Oklahoma	55.60 - 123.64 81.13	median of county assessment ratios, 1988: 11.24% residential; 11.14% all business.	9%-15%, chosen locally. Inventories taxed.	0.91% residential. 0.90% all business.

[1] Range obtained from *All State Tax Guide*, Prentice Hall, 1988. Rates are for taxes levied in calendar year 1988 and payable in the 1988-1989 fiscal year. Average is calculated as total property tax collections divided by total assessed valuation. Kansas 1989 tax levies also shown.

[2] Starting in 1989, Kansas rates will be based on new classifications and reappraisals.

[3] Calculated as [statutory ratio] x [market value to appraised value ratio]. Ratio of market value to appraised value is assumed to be 1 for machinery and equipment. If no other information is available, and reappraisal is frequent, ratio assumed to be 1. Sources of market value to appraised value ratios:

- Colorado: ratios are for Denver. Newsbank [1989] *Denver Post.*
- Iowa: residential real estate ratio from Iowa Department of Revenue and Finance, *1988 Property Valuation Report.*
- Kansas: Kansas Department of Revenue, *Real Estate Assessment/Sales Ratio Study 1988.*
- Missouri: Taxpayers Research Institute of Missouri, *Property Tax Rates of Missouri Local Governments*, 1989.
- Nebraska: Nebraska Department of Revenue, printout of assessment/sales ratios by county.
- Oklahoma: Calculated from Oklahoma Tax Commission, *1988 Progress Report to the Legislature on Property Valuation.*

[4] Calculated as [mill rate] x [actual assessment ratio]. Converted to % of true market value.

Property Tax Abatement

State and local governments frequently offer property tax abatement as an incentive to attract new firms and to encourage industry expansions. Arguably, property tax abatement provides the single most important tax incentive at the state and local level. Property taxes in the region surrounding Kansas often exceed state and local income taxes for manufacturing firms (see Volume 2 of this report). When granted, tax abatements frequently amount to more than 50 percent of the tax liability. Thus property tax abatement amounts to a large reduction in a large tax. This is not to argue that property tax abatements actually attract new industry--findings on this issue are still mixed [Grady, 1987; Pomp, 1986; Steinnes, 1984]. It does, however, mean that property tax abatements result in large amounts of revenue foregone by local governments.

The percentage of tax abatement and the requirements for eligibility vary widely from state to state. Some state governments, for example, Missouri, limit abatements to state designated enterprise zones. In other states, including Kansas, abatements may be granted at the discretion of local governments, regardless of enterprise zone status. Property tax abatements may be targeted to particular industries such as manufacturing, or they may be more general, extending to services, wholesalers, and retailers.

Missouri, Kansas, and Oklahoma grant the most generous tax abatements in the region. Missouri provides tax abatements for real estate improvements, including new buildings, in enterprise zones and in blighted areas. Tax exemptions may range as high as 100 percent, and may extend for 25 years. Almost any industry qualifies for exemption. Kansas allows local governments to abate up to 100 percent of property tax liabilities for 10 years for new and expanding industries. Abatements are limited to property used in manufacturing, research and development, and warehousing[3]. Although the number of industry types qualified for abatement is smaller than in Missouri, the range of property qualified is larger. Taxes may be abated on land, buildings, improvements, machinery, and equipment. Oklahoma guarantees 100 percent tax exemptions for 5 years for qualified new and expanding firms in manufacturing, research

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[3] Kansas law also allows property financed with industrial revenue bonds to be exempt from local property taxes for up to ten years.

and development, and computer services. As in Kansas, the abatements extend to land and equipment as well as structures.

Comparisons of business property taxation among the states in the region should consider two factors: 1) the effective tax rates on commercial and industrial real estate, machinery and equipment, and inventories; and 2) the probability of property tax abatement. With respect to the first factor alone, Kansas property taxes appear high, particularly for firms with a large percentage of their assets in commercial real estate. However, Kansas property tax abatements for new and expanding firms are among the most generous in the region. Many Kansas communities favor the use of abatements, although not necessarily at the 100 percent level. This allows new or expanding Kansas industries to avoid a large percentage of the property tax burden. The net impact may be to shift property taxes onto mature firms and households.

Table 10
Property Tax Abatements

State	Extent of Tax Abatement	Eligibility Requirements
Colorado	Local option for property tax reduction in enterprise zones. Limited to increase in value of property due to new or expanding business. Abatements rarely used.	Must be a qualified new business facility located in an enterprise zone.
Iowa	Local option to abate local property taxes on value added to industrial real estate. Max. abatement: YR 1: 75% YR 2: 60% YR 3: 45% YR 4: 30% YR 5: 15%.	Limited to new construction of industrial real estate, research service facilities, warehouses, distribution centers. Also applies to new industrial equipment and machinery (which is considered part of real estate in Iowa).
Kansas	Local option to exempt all or any portion of buildings, land, added improvements, and machinery and equipment for new or expanding firms. Exemptions last for no more than 10 years after opening of new business or completion of expansion. Property financed with industrial revenue bonds may be exempt for up to 10 years.	Limited to property of new or expanding businesses used for 1) manufacturing; 2) research and development; or 3) storing goods or commodities which are stored or traded in interstate commerce. No restrictions on types of firms qualifying fir exemption with industrial revenue bonds.
Missouri	Under Urban Redevelopment programs: up to 100% of improvements to real property may be tax exempt for up to 25 years. Under Enterprise Zone programs: 50%-100% of value of improvements to real property will be abated up to 25 years.	Improvements to real property must occur in blighted areas of cities with populations over 4000 in Jackson and St. Louis counties, 2500 elsewhere in state. For enterprise zone exemption, any industrial or commercial firm, or firm renting/leasing residential property to low or moderate income persons qualifies. Applied to real estate improvements only.
Nebraska	15 year tax abatement for agricultural processors investing at least $10 million and hiring at least 100 new workers.	Agricultural processing only.
Oklahoma	New and expanding facilities are 100% exempt from property tax for 5 years. Included in exemption are land, buildings, improvements, structures, machinery, equipment, other personal property used directly in the manufacturing process. Also: machinery and equipment used in oil and gas production are exempt.	Limited to mfg. facilities, research and development, and those computer service and data processing facilities which obtain at least 80% of their revenue from out of and state. Applies to new and expanding firms. Exemption for equipment applies only if suchequipment results in a net increase in employment.

SOURCES: Information provided by individual state departments of revenue and commerce and state statutes.

Sales Tax

Most states governments, including those of all six states investigated in this study, impose an ad valorem tax on retail sales. Strictly speaking, sales taxes apply to goods sold within a state's boundary, while use taxes apply to items purchased out of state but brought into state for their final consumption. Sales and use taxes are imposed both at the state and local levels. During the 1980s, the sales tax grew in importance throughout the region, as shown in Figure 10. Within the past five years, all of the states in the region have legislated increased sales tax rates, either on a permanent or a temporary basis. Local taxes have experienced a similar upward trend.

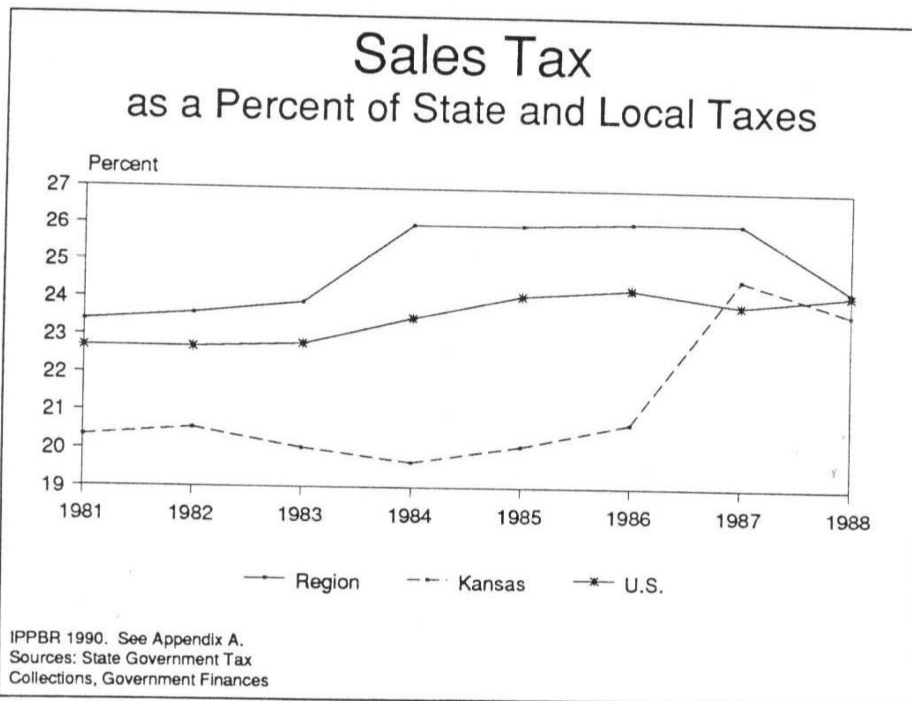

Figure 10

Sales Tax Rates

State sales tax rates in the region fall within a narrow range, between a low of 3 percent in Colorado and a high of 4.425 percent in Missouri. Both Missouri and Kansas have increased rates within the last year. Local sales tax rates add to the tax total, and in some jurisdictions rival state taxes in magnitude. For example, Denver taxes most sales at 3.5 percent in addition to the state tax. In parts of Kansas City, Missouri, local taxes stand at 2.25 percent, while in Overland Park, Kansas, taxes reach the state allowed maximum of 2 percent.

Sales Tax Base

Most states use a fairly broad concept of retail sales in defining their sales tax bases. In fact, the sales tax combines elements of a tax on consumption, a tax on investment, and a tax on production. The extent to which each of these three activities is taxed depends on state specific rules for sales tax exemptions and inclusions.

States tax consumption when sales taxes are levied on purchases commonly made by households. Although most tangible products are taxed, states commonly make exceptions for food and drugs. Within the region, Iowa, Nebraska, and Colorado exempt groceries, and all exempt prescription medications. States also include selected services in the tax base, generally including restaurant meals, hotels, and telephone charges. While none of the states has broadened its sales tax base to include all services, Iowa stands out for the number of services taxed.

Sales taxes affect investment when states levy taxes on the purchase of machinery, equipment, tools, building materials and services, or repairs. Within the region, exemptions for manufacturing machinery and equipment are common. For example, Kansas exempts machinery and equipment used directly in the manufacturing, processing, or storing of goods as of 1989. Missouri limits its manufacturing equipment exemption to new establishments, expansions, and replacements due to design or product changes. Most states impose a *direct use* requirement for machinery to qualify for exemption. Generally, auxiliary equipment such as automobiles, office equipment, and transport equipment remain taxable. Additionally, building materials for construction are usually considered taxable retail sales.

Only two states in the region, Nebraska and Kansas, extend exemptions for machinery beyond direct use in processing or manufacturing. Nebraska, under 1987 legislation, refunds all sales and use taxes for

qualified new or expanding firms with at least $20 million investment. Almost any business except retailing may qualify (see Table 6), and most purchases, including building materials and depreciable equipment, are exempted. Kansas enterprise zones extend the largest sales tax exemptions on investment in the area. Exemptions apply to all qualified industries, including services, and cover machinery, building materials, and all other property used in constructing or enlarging a business facility. Neither the Kansas enterprise zone exemption nor the Nebraska new and expanding firm refund covers replacement investment. However replacement investment for manufacturers is covered under the general sales tax provisions in Kansas.

Production, in contrast to consumption or investment, is taxed to the extent that materials, fuels, and supplies enter the sales tax base. All states in the region exclude materials which become a component part of new goods. Laws covering products which are consumed or used up during production vary more widely across the states. In Kansas and Oklahoma consumables are clearly tax exempt. Iowa excludes materials used in processing. Colorado excludes materials which "enter into processing" of manufactured products. Nebraska and Missouri exempt "ingredients". In fact, the interpretation of sales tax exemptions for intermediate goods is a matter of case law. For example, a recent ruling in Missouri allows an exemption for cooking oil used for frying, even though, with luck, some of the oil fails to become an ingredient of the final product.

Laws covering exemptions for electricity and fuels often apply only to manufacturing and other industrial processes; some portion of these important inputs generally remains taxed. Colorado, Oklahoma, and Iowa exempt fuels and electricity used in processing. Kansas extends the exemption to production of goods and services, and Nebraska adds irrigation and farming to the list of exempt uses. Missouri exempts natural gas entirely, and electricity if it exceeds 10 percent of total production costs.

Overall, the pattern of sales tax exemption is complex. From the point of view of competitiveness, the exemptions on equipment and machinery, and on fuels stand out. Taxes on these inputs could significantly increase production costs.

Table 11
Sales Tax Rates

State	State Tax	Local Tax
Colorado	3%. 0.2% tax on tourism related goods and services.	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	4.25%.	May be levied at 0.5% or 1% by both counties and cities.
Missouri	4.425%. Will drop to 4.125% on July 1, 1990.	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, not toexceed 2%.

Source: Information from individual state departments of revenue.

Table 12
State Sales Taxes

State	Basic Tax Base	Important Items Specifically Included	Important Items Specifically Excluded
Colorado	Sales of tangible personal property at retail. Also selected services.	In addition to sales of goods at retail: ***Consumers***: telephone and telegraph services; restaurant meals; hotel and motel rooms. ***Businesses***: gas and electricity sold for commercial (not industrial) consumption.	***Consumers***: sales of prescription drugs; sales of electricity, natural gas, and coal to residences; sales of food. ***Businesses***: sales for resale; sales out of state; sales of goods which become ingredients or component parts of manufactured, compounded, or furnished goods; sales of electricity, natural gas, and fuel oil for use in processing, manufacturing, mining, irrigation, construction, communication, and all other industrial uses. Effective 1-88, all purchases of machinery and machine tools and parts used directly in manufacturing are exempt from sales tax. Exemption from local sales tax is a local option.
Iowa	Sales of tangible personal property at retail, including sales by mail order vendors who advertise within Iowa, and selected services.	In addition to sales of goods at retail-- ***Consumers***: gas and electricity, communications, water, amusements, repairs, barbers, dry cleaning, maintenance, many other services. ***Businesses***: communications, repairs.	***Consumers***: food (except for immediate consumption) and drugs. ***Businesses***: sales for resale; sales out of state; building materials for resale; industrial machinery and computers; services connected with construction or remodeling; chemicals, fuels, and electricity used in processing; materials used in processing.
Kansas	Sales of tangible personal property at retail. Also included are several specified services.	In addition to sales of goods at retail-- ***Consumers***: restaurant meal and drinks; intrastate telephone calls; hotel and motel rooms. ***Businesses***: computer software; installations, except in the original construction of a building; electricity, gas water, heat, unless consumed directly in production; repairs.	***Consumers***: drugs, when prescribed; sales of gas, electricity, and heat to residential customers, intrastate telephone for noncommercial use. ***Businesses***: sales for resale; sales of used farm machinery; sales of new farm machinery, 1988-1989; all sales of tangible personal property or services used in constructing or enlarging a qualified business facility within an enterprise zone; component parts of manufactured or produced goods or services; goods consumed in the production of tangible personal property or services, including gas, water, and electricity; beginning 1989, all sales of machinery and equipment used directly in manufacturing, processing, or storing goods.
Missouri	Sales of tangible personal property at retail.		***Consumers***: water, natural gas, and electricity for domestic use; prescription drugs. ***Businesses***: sales for resale; materials, manufactured goods, machinery, and parts, which, when used, become component parts of new goods; machinery and equipment used to establish or expand manufacturing

Table 12 cont.

State	Basic Tax Base	Important Items Specifically Included	Important Items Specifically Excluded
Missouri cont.			mining, or fabricating plants, when the machinery is used directly in production; machinery and equipment replacements due to design or product changes; electrical energy used in the actual manufacturing, processing, or mining of a product, if the total cost of electricity so used exceeds 10% of total production costs; farm machinery; natural gas; machinery and equipment used to abate air pollution.
Nebraska	Sales of tangible personal property at retail.	In addition to retail sale of goods: ***Consumers***: admissions to events; restaurant meals. ***Businesses***: computer software.	***Consumers***: prescription drugs; food products for human consumption (excluding prepared meals). ***Businesses***: sales for resale; goods shipped out of state; electricity, coal, gas, and other fuels, when more than 50% of the amount purchased is used directly in processing, manufacturing, refining, irrigation, or farming; goods which become an ingredient or component part of manufactured, processed, or fabricated goods; agricultural chemicals. Also, qualified new business facilities with at least $20 million investment or $3 million investment and 30 new employees are entitled to a refund of sales and use taxes paid on the purchase of property for the new investment.
Oklahoma	Sales of tangible personal property and selected services.	In addition to retail sales of goods: ***Consumers***: gas, electricity, ice, steam, or any utility or public service except water; hotel and motel rooms; telephone and telegraph; restaurant meals; admissions to events. ***Businesses***: advertising; sales of services and property used to develop or improve real estate, including materials, supplies, and equipment.	***Consumers***: sales of farm products directly to consumers. ***Businesses***: sales for resale; sales out of state; goods which become a recognizable, integral part of manufactured, processed, assembled, or prepared products; goods consumed in the process of manufacturing, processing, assembling, or preparing goods for resale (includes gas and electricity); machinery and equipment purchased to establish manufacturing plants, and for the operation of existing manufacturing plants, provided machinery is used directly in the manufacturing process; property consumed or incorporated into construction of a new or expanded manufacturing plant; farm machinery. Also, new or expanding industries, including service industries, can qualify for a sales tax refund on purchases of $2 million of data processing, computer, telecommunications, and related equipment.

SOURCES: Information provided by individual state statutes, *All State Tax Guide*, Prentice Hall, 1989, and *State Tax Review*, Commerce Clearing House, 1989.

Table 13
Sales Tax Exemptions for Businesses

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 mfg. equipment:						
Enterprise zones	Exempt	N/A	Exempt	Exempt	N/A	Exempt
Outside enterprise zones	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
New commercial, other equipment:						
Enterprise zones	Taxed	N/A	Exempt	Taxed	N/A	Taxed
Outside enterprise zones	Taxed	Taxed	Taxed	Taxed	Taxed see Tab. 12	Taxed
Replacement mfg. equipment:						
Enterprise zones	Exempt	N/A	Exempt	Taxed see Tab. 12	N/A	Exempt
Outside enterprise zones	Exempt	Exempt	Exempt	Taxed see Tab. 12	Taxed	Exempt
Replacement commercial, other equipment:						
Enterprise zones	Taxed	N/A	Taxed	Taxed	N/A	Taxed
Outside enterprise zones	Taxed	Taxed	Taxed	Taxed	Taxed	Taxed
Electricity and fuels used in manufacturing	Exempt	Exempt	Exempt	Taxed see Tab. 12	Taxed see Tab. 12	Exempt
Building materials: manufacturing plants	Taxed	Taxed	Exempt in E.Z.	Taxed	Taxed	Exempt (new plant)

SOURCES: Information provided by individual state departments of revenue and state statutes.

Enterprise Zones

In the late 1970s Peter Hall, a professor of geography at Reading University, became so impressed with the level of economic activity in Hong Kong and Singapore during an Asian trip that he formulated the idea of "freeports" for urban areas [Wolf, 1990]. The concept was to make a small selected area of an inner city open to entrepreneurial initiative with a minimum of government control. In the fall of 1980 New York Congressmen Jack Kemp and Robert Garcia introduced a legislative proposal to grant tax credits to business that located or expanded in designated depressed areas. At the federal level, action on enterprise zones has been slow. Not until 1988 was even a modest program realized. On the other hand, state governments have been quick to pick up on the idea. In 1981 Connecticut implemented the first enterprise zone program in the United States. Since then over thirty additional states have adopted similar programs.

Enterprise zones are defined as economically distressed geographical locations in which private investment is stimulated through unique programs. The four most commonly offered incentives include property tax abatements, sales tax credits, job and investment credits, and low interest bond financing. Table 14 shows the incentives available in the four states in the region which have developed enterprise zone programs: Colorado, Kansas, Missouri, and Oklahoma.

Colorado

In Colorado, the Urban and Rural Enterprise Zone Act of 1986 established the state's first eight enterprise zones; later the legislature adopted four more zones bringing the total number of enterprise zones to twelve. Colorado's enterprise zone legislation is designed to increase the magnitude of previously existing tax incentives for qualifying businesses in designated areas.

In order to qualify for enterprise zone status, Colorado localities are required to meet strict requirements. First, the community must have a population of no more than 50,000. In addition, one the following criteria is necessary: an unemployment rate at least 25 percent above the state average; per capita income at least 25 percent below the state average; or population growth rate at least 25 percent below the state average. If an application meets these criteria then it is eligible to compete for one of the twelve available positions as an enterprise zone.

The state of Colorado has provided estimates of its enterprise zone success. According to state officials, 633 businesses claimed tax benefits in the twelve zones, 1413 new jobs were created, and $64.1 million of new capital was invested between 1986 and 1988[4].

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[4] Estimates of enterprise zone successes should be interpreted cautiously, since some firms may have located in the defined areas even in the absence of any special credits.

Kansas

In 1982 the Kansas legislature authorized the establishment of enterprise zones in order to "expand and renew the local economy and improve the social and economic welfare of residents in economically distressed areas within the cities of the state of Kansas." In 1983 the legislature amended the 1982 program. The new program provides incentives to encourage establishment of new businesses and expansion of existing businesses. The intention is to create new jobs and generate new sources of income for the disadvantaged area. In 1986 the program was again amended thereby authorizing counties as well as cities to have areas designated as enterprise zones.

In order for geographic areas in the state of Kansas to qualify for enterprise zone status they must meet either the criteria established by the U.S. Department of Housing and Urban Development for the Urban Development Action Grant (UDAG) program or a set of criteria established by the state of Kansas defining "distressed areas." The Kansas definition requires that two conditions be met. First, the community must meet some objective measure of hardship, at least one of the following: 1) unemployment at least 1.5 times the state average; 2) 70% of the population with and income level less that 80% of the state wide median; 3) population decreases of 10% over the previous 10 years. Second, there must exist deterioration, abandonment and demolition of structures, or substantial tax arrearage.

Statistics on the success or failure of the Kansas enterprise zone program are not readily available. However, a 1988 study by the Kansas Department of Revenue shows that about $34 million in tax credits and refunds were issued between 1985 and 1988, and that over half of the benefits went to manufacturers. The lack of information on the number of jobs and the amount of investment attributed to enterprise zone credits may be due to the fact that over 240 zones operate in the state.

Missouri

In the 1982 legislative session the state of Missouri signed into law an act which established the Enterprise Zone-Urban Redevelopment Program. The act provided thirty two enterprise zone classifications for distribution on a first come- first served basis. More recent legislation has allowed three additional zone classifications to be distributed. Moreover, satellite zones in Kansas City and St. Louis have been created. In order for a Missouri community to qualify for enterprise zone status it must meet either the criteria established by the U.S. Department of Housing and Urban Development for the Urban Development Action Grant (UDAG) program or criteria established by the state of Missouri for "distressed areas." Distressed areas are defined as areas with: 1) 65% of the population receiving income less than 80% of the state wide median; 2) population between 4,000 and 32,000 in a Metropolitan Statistical Area (MSA) or between 1,000 and 20,000 outside a MSA; and 3) an unemployment rate of at least 1.5 times the state average or the percent of full time employees must be below 50% of the state average.

Missouri officials record that 255 businesses have received benefits. They estimate that the program has created 7115 new jobs and generated $348 million in new capital investment between the program's initial implementation in 1983 and January 1, 1990.

Oklahoma

In 1983, the Oklahoma legislature passed the Oklahoma Enterprise Zone Act. The bill requires the Oklahoma Employment security commission to designate a county as an enterprise zone if the average rate of unemployment in that county is in the worst 25 percent for the state and if the average unemployment rate is over 1.5 times the state average. Later amendments to the Enterprise Zone Act give zone designation to all counties currently classified as Labor Surplus Areas by the U.S. Department of Labor, and to economically distressed areas within the corporate limits of any city or town provided that the households within the specified area have an income of less that 80% of the statewide median.

The state of Oklahoma has 26 cities with enterprise zones, 9 counties designated as enterprise zones and 34 areas designated because they are Labor Surplus Areas. Statistics on the success or failure of enterprise zones are difficult to obtain, in part due to lack of any state programs or resources for evaluation [Page, 1989].

Summary

Enterprise zones are powerful programs with many success stories, but the history of enterprise zones is also plagued with stories of mismanagement and of unclear objectives. Many states have failed to provide any mechanism for administration, evaluation, and oversight of the zones. Many states have been forced to take a hard look at their current enterprise zone programs and to work toward eliminating legislative flaws.

Table 14
Enterprise Zone Tax Benefits

State	Tax credit
Colorado	**Three percent investment tax credit.** Business making investments in equipment used exclusively in an enterprise zone which would have qualified for the pre-1986 federal investment tax credit may claim a tax credit equal to 3 percent of the amount of the investment, subject to limitations on the amount which can be claimed in any one year.
	$500 job tax credit or refund may by claimed by businesses hiring new employees in connection with a "new business facility" or in connection with a "expanding business facility" located in an enterprise zone for at least one year.
	Double job tax credit or refund for agricultural processing. An additional credit or refund of $500 per new or expanding business facility employee may be claimed by businesses which add value to agricultural commodities through manufacturing or processing.
	$200 job tax credit for employer health insurance. A taxpayer with a qualifying new business facility is allowed a two-year $200 tax credit for each new employee who is insured under a qualifying employer-sponsored health insurance program.
	R&D tax credit. This credit equals 3 percent of the amount of the increase in the taxpayer's R&D expenditures within the zone for the current tax year above the average of R&D expenditures within the zone area in the previous two years.
	Credit to rehabilitate vacant buildings. There is a credit of 25 percent of qualified expenditures up to $50,000 to rehabilitate buildings which are at least 20 years old and which have been vacant at least two years.
	Local property tax refund. Local governments are allowed to negotiate an incentive payment equal to not more than the amount of the increase in property tax liability over pre-enterprise zone levels.
	Exemption from state sales and use tax for manufacturing equipment. Purchases of manufacturing machinery and machine tools, parts, and materials used in machinery and machine tools which are used in an enterprise zone are exempt from the 3 percent state sales and use tax.
	Local government tax incentives. A refund of local sales taxes on purchases of equipment, machinery, machine tools, or supplies used in the taxpayer's business in the enterprise zone.
	Credit for contributions to zones. There is a 50 percent credit up to $100,000 for private contributions to local zone administrators for enterprise zone development.
Kansas	**$350 for each qualified business facility employee** who resides in Kansas, except those whose employment entitles the employer to a targeted jobs tax credit under Sections 51 and 52 of the Internal Revenue Code in the same taxable year, for a period up to 10 years.
	$500 for each qualified business facility employee who resides in Kansas and whose employment entitles the employer to a targeted jobs tax credit under Sections 51 and 52 of the Internal Revenue Code in the same taxable year, for a period up to 10 years.

Table 14 continued

State	Tax Credit
Kansas cont.	**$100 for each qualified business facility employee** who does not reside in Kansas.
	$350 for each $100,000 of qualified business facility investment, but not to exceed 50% of the tax attributable to the qualified business facility, yearly, for a period up to 10 years.
	Sales tax exemption. For qualified businesses in an enterprise zone, the sale and installation of machinery and equipment, and materials and services purchased for construction or remodeling are exempt.
Missouri	**New Investment Credit.** 10% of first $10,000; 5% of next $90,000; 2% of excess over 100,000. These benefits require that 30% of new business facility employees to be zone residents or "special" employees.
	Job Credit. $400/new employee.
	Resident Credit. $100 per each full three month period new business facility employee is zone resident.
	Training Credit. This is a one-time credit. Up to $400 for each enterprise zone employee who is a zone resident or who is difficult to employ and is employee trained from company funds.
	Special Employee Credit. For each full three month period, $100 per new business facility employee who at the time hired is: difficult to employ; or has exhausted unemployment benefits and remains unemployed for at least three months after benefits exhausted; or is eligible for aid to dependent children or general relief benefits.
	Property tax abatement. (10-25 years) At least 50% of subsequent improvements to real property owned by revenue-producing enterprise within an enterprise zone must be abated for 10 years (may be abated up to 100% for up to 25 years).
	Refund of unused tax credits. 50 percent or $50,000 (whichever is less) of tax credits exceeding liability in first year claiming credits, will be refunded in 3rd taxable year: 25 percent or $25,000 (whichever is less) of tax credit exceeding liability in 2nd tax year, will be refunded in 4th tax year.
	Income exemption. 50% of taxable income exempted.
Oklahoma	**Double investment and new job tax credits.**
	General obligation bond financing.

Source: Information provided by individual states.

Unemployment Insurance and Worker Compensation

Labor costs constitute the single largest factor payment for most firms. State mandated programs such as unemployment insurance and worker compensation comprise a considerable portion of labor costs in most industries. Because firms are legally obligated to participate in these programs, this study treats the associated costs as taxes.

Unemployment Insurance

Unemployment insurance compensates a worker for wages lost while he or she is involuntarily unemployed but able and willing to work. Employers pay both federal and state taxes, but the state tax is by far the largest. Although the federal government establishes broad regulations, the details of the system are state specific. Federal regulations exist to insure that reserves are adequate to maintain solvency of the state programs. The states define the fundamentals such as employee eligibility rules, rates, tax bases, and benefit provisions. Table 15 provides state by state data on unemployment insurance systems in the region.

The unemployment insurance tax rate assigned to an employer depends both on the firm's own unemployment experience record and on state conditions. Each firm accumulates a contribution-benefit balance, based on what the firm has paid into the fund in relation to the benefits it previous employees have drawn. Firms with positive balances are charged relatively low rates in comparison with firms with negative balances. The firm-specific rate must fall between the statutory minimum and maximum rates shown in Table 15. New firms with no experience are charged a "new employers" rate, which in most states depends on the industry in which the firms operates.

Three major factors affect the overall level of unemployment insurance rates in a state. First is the average benefit paid to an unemployed worker, second is the duration of the payment, and third is the percentage of the work force making unemployment insurance claims. States with a high level of benefits are likely to have high rates, as are states with volatile employment.

Table 15
Unemployment Insurance Rates and Bases, 1990

State	1989 New Employer's Rate	1989 Minimum	1989 Maximum	Statutory Minimum	Statutory Maximum	1990 Taxable Wage Base	# of Employees for Tax to Apply
Colorado	Greater of the standard rate (2.9%), the experience rate, or the average industry rate, plus .2% surcharge.	0.5% includes 0.2% surcharge	5.6% includes 0.2% surcharge.	Rates may be increased by assessment to pay interest due on federal advances, and by a surcharge for delinquency in filing or paying taxes.	5.4%.	$10,000	1 at any time
Iowa	1.06%. New construction employers pay 7.46%. Rates include 0.06% administrative contribution surcharge.	0.06%. Rates include .06% administrative contribution surcharge.	8.46%. Rates include 0.06% administrative contribution surcharge.	0%. Rates may be increased by a surcharge to pay federal interest until 7-1-90. Administrative contributions surcharge of 0.1% of federal taxable wages.	7%	$11,900.	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%. Rates may be increased by surcharge for negative balance employers of 0.1% to 1% and by 3% if federal government fails to certify for payment of administration funds.	5.4%	$8,000	1 for 20 weeks
Missouri	Higher of average industry rate or 2.7%. For 1989 2.7% to 8.632%.	0%	6%	0%. May be increased or decreased depending on fund balance.	6%	$7,000 (for 1989)	1 for 20 weeks
Nebraska	3.5%	0.1%	5.4%	Fixed annually	5.4%	$7,800 (for 1989)	1 for 20 weeks
Oklahoma	3.1%	0.3%	9.2%	0.1%. Rates may be increased by conditional factor and surcharge.	5.5% plus surcharges.	$9,200 (for 1989)	1 for 20 weeks

SOURCES: *State Tax Guide*, Prentice-Hall, 1989 and information provided by individual states.

Table 16 provides additional comparisons of unemployment insurance systems. The most important indicator is average rate per $100 payroll, which measures the average insurance cost. Of course, firms with a worse than average record of unemployment, or new firms in an industry with a bad track record, will face considerably higher rates. The average annual rate is quite unstable, changing with employment conditions.

Table 16
Unemployment Insurance Benefits and Net Worth, 1988

	Average Benefit Per Worker[1]	UI Fund Net Worth[2]	Average Rate Per $100 Payroll[3]
Colorado	$175.74	$81.44	$.79
Iowa	$147.26	$343.05	$1.69
Kansas	$176.31	$412.14	$.94
Missouri	$130.73	$213.48	$.64
Nebraska	$96.69	$176.76	$.57
Oklahoma	$157.98	$128.77	$1.08
National Av.	$175.77	$313.73	$1.03

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.

3 Rates are for 1987.

SOURCES: Grant Thornton, *The 10th Annual Grant Thornton Manufacturing Climates Study (1989)*, and U.S. Department of Labor, *Unemployment Insurance Financial Data.*

Two other indicators can be used to predict future rate changes. The average benefit per covered employee indicates the volume of withdrawals from the unemployment insurance fund. It depends both on the likelihood of unemployment in the state, and on the level of benefits to which a worker is entitled. Ranked by this criterion, Kansas and Colorado are highest in the region, both with benefits approximately equal to the national average. The unemployment insurance trust fund balance shows the reserves available to pay future claims. Kansas is clearly the leader in this category. With balances of over $412 per

worker, Kansas exceeds the national average by $100. With an average level of withdrawals and a healthy trust fund balance, Kansas rates are likely to be more stable than rates in the surrounding region.

Worker Compensation

Worker compensation laws provide benefits to injured workers, and to families in the case of a worker's death. States require that firms buy insurance to provide compensation payments. For the six state in the region surrounding Kansas, private companies supply insurance. These firms fund an industry group, the National Council on Compensation Insurance, which performs actuary work and suggests industry specific rates for each state. State insurance commissions review and revise rates.

Several factors determine the worker compensation rate schedule for a state. The size of benefits paid to injured workers, decided by state law, exerts a primary effect. Other factors include the safety records of various industries within the state, and state regulation, which may limit rate increases.

The rate paid by an individual firm depends on state and firm specific factors. The industry specific state rate serves as a base for a firm's insurance assessment. But a firm's payments are modified depending on its individual safety record, and on whether it qualifies for a volume discount.

Table 17 makes some broad comparisons of worker compensation systems. The average cost per case indicates the drain on the worker compensation fund. The level of benefits for injured workers is primarily a matter of state policy. Kansas ranks in the mid-range of the region on this criterion. The average insurance payment per $100 payroll is frequently used as a measure of the burden on employers in a state. However, this measure is somewhat misleading: the average rate depends in part on the composition of the industrial sector of the state. States with employment concentrated in dangerous industries such as construction and mining will exhibit relatively high average rates.

Table 18 compares rates for specific industries. For most industries, Kansas rates rank among the lowest in the region.

Table 17
Worker Compensation Payments and Premiums (1988)

State	Average Payment Per Case	Average Premium Per $100 Payroll
Colorado	$11,288	$5.18
Iowa	11,311	2.67
Kansas	7,798	2.77
Missouri	5,362	2.62
Nebraska	7,488	2.16
Oklahoma	6,479	4.41

Source: *10th Annual Grant Thornton Manufacturing Climates Study* (1989).

Table 18
Worker Compensation Rates (1988)

	CO	IA	KS	MO	NE	OK
Electronics	4.32	1.77	1.72	2.31	2.26	3.61
Construct. Mach. Mfg.	8.74	5.60	3.57	3.90	5.62	6.53
Plastics	7.01	4.94	4.77	5.98	3.12	7.17
Data Processing	.89	.96	0.90	1.08	2.12	2.23

Source: National Council on Compensation Insurance.

Major Tax Revisions Since 1987

All of the states in the region surrounding Kansas have legislated tax changes since 1987. All of the major taxes affecting firms and their employees, including the personal income tax, corporate income tax, property tax, and sales tax, have undergone significant revisions.

Changes in federal income taxes in 1986 dramatically expanded the definition of taxable personal income. Most states have revised their income taxes in order to avoid "windfall" tax increases. At the same time, many states have used the opportunity to overhaul and simplify their personal income tax rates and brackets. For example, Kansas has moved from a system with eight marginal rates to a system with two.

Corporate taxes have also undergone reform. Colorado has lowered the corporate tax rate for the upper bracket of income, and Nebraska has implemented a gradual shift to a sales only allocation formula. Several states, notably Nebraska and Colorado, have increased the availability of tax and investment incentives. While most changes in corporate taxes have improved the business climate, two states have increased corporate rates as a revenue raising measure. In 1989, Missouri instituted a temporary increase in the corporate rate for high income firms. In 1990, Nebraska increased corporate rates by 17.5 percent, although this increase could still be overturned in the November, 1990 election.

Major property tax reappraisals have recently been finished in Kansas and Colorado, and a statewide property value equalization is underway in Nebraska. Kansas has also moved to a system of property classifications, each class subject to a different assessment ratio. In both Kansas and Nebraska, the property tax burden on commercial real estate has increased.

Sales tax rates in Kansas and Missouri have increased within the last year. However, Kansas has instituted sales tax exemptions for machinery and equipment used in manufacturing and storage, offsetting the impact of sales tax increases for many Kansas industries.

Table 19
Major Tax Revisions Since 1987

State	Personal Income	Corporate Income	Property	Sales
Colorado	1987: replaced a graduated income tax rate schedule with a flat 5% applied to federal taxable income.	1987-1993: gradual reduction of rates from 6% to 5% for high income firms. 1989: established income tax credit for research and development. 1987: established statewide invest. credit, enterprise zone invest. credit, and new business facility tax credits.	1987: first statewide reappraisal in 10 years. 1989: new appraisals.	Effective 1988: machinery and machine tool purchases in excess of $1000 exempt from sales tax.
Iowa	1988: the lowest rate fell from .5 to .4% and the highest rate fell from 13 to 9.98%.	1989: repealed credits for venture capital fund investments.		1987: Exemption for industrial machinery and computers. 1985: local sales tax.
Kansas	1988: a complex system of eight tax bracket rates was replaced with a simple two rate system. Kansas standard deductions rose, and the deduction for federal taxes was eliminated. 1989: basic rates were reduced. Taxpayers were given the option of paying higher rates with federal tax deductibility, or lower rates without deductibility.	1989: repealed alternative minimum tax established in 1988. 1989: alternative allocation method based on property and sales allowed. 1987: established credits for contributions to local seed capital funds.	1989: valuations based on first statewide appraisal in 20 years are established. Effective 1989: different property classes assessed at different percentages. Effective 1989: inventories removed from property tax base.	1989: increased state tax from 4.0 to 4.25%. Effective 1989: removed sales tax on manufacturing machinery.
Missouri	No major revisions in the income tax system during the 1980s. 1987: under a federal court order, a surcharge of 1.5% was added to the state tax rate on income earned within the KC school district, but it was later overruled.	1989: instituted a temporary tax increase from 5 to 6.5% for high income firms.		1989: temporary state sales tax increase from 4.125 to 4.425%.
Nebraska	1987: implemented a new system which begins with federal adjusted gross income; there are 4 rates which range from 2 to 5.9%. 1989: allowed a one time exemption on capital gains for NE residents who sell or exchange stock of a NE company of which they are employed.	1987: job and investment credits initiated for small and large firms. Sales only income allocation being phased in between 1988 and 1992. 1990: Corporate rates increased by 17.5%.	Currently undergoing statewide equalization. Also, Nebraska court has ruled that agricultural land must be valued at market prices, thus increasing tax share of agriculture.	1987: allowed sales tax refunds for new establishments with over $20 million investment.
Oklahoma	1988: taxpayers were given the choice to pay higher taxes with federal deductibility or lower taxes without deductibility. Tax rates were reduced for those who deduct federal taxes.	1987: job credit of $500 per employee as alternative to investment credit. Previous credits were based on investment only.		

SOURCES: Information provided by individual state statutes and *State Tax Review*, Commerce Clearing House, [1987-1989].

Conclusions

It seems clear from the attention given to business taxation by state legislatures that the issue will remain important throughout the next decade. States face two contradictory approaches to developing a favorable tax climate. The first approach, common throughout the region, provides special incentives and abatements to new investment activities. This allows state and local governments to direct large tax cuts to a relatively small base of new and expanding firms. A possible drawback to the approach is that the tax burden may be shifted to long-established firms, preventing them from accumulating the financial capital to expand and modernize. A second approach, that of establishing moderate overall tax rates and eliminating exemptions, puts new and established firms on a more equal footing. But while the second approach may be superior from the point of view of fairness, it may be self-defeating in an overall atmosphere of inter-state tax competition.

Appendix A
State and Local Tax Data: Colorado
Fiscal Years 80/81-88/89

STATE: Colorado	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	2,984	3,072	3,148	3,189	3,233	3,266	3,296	3,290	3,336
TOTAL TAX REV.	$2,960,177	$3,428,667	$3,652,125	$4,256,125	$4,679,819	$4,852,387	$5,280,264	$5,564,208	N/A
STATE TAX REV. ($1,000)	$1,445,777	$1,685,067	$1,743,225	$2,132,825	$2,284,417	$2,344,375	$2,561,477	$2,725,767	N/A
% TOTAL TAX REV.	48.8%	49.1%	47.7%	50.1%	48.8%	48.3%	48.5%	49.0%	N/A
Per Capita	$485	$549	$554	$669	$707	$718	$777	$829	N/A
ST GEN. SALES ($1,000)	$529,881	$612,900	$622,548	$791,382	$726,484	$736,649	$718,646	$724,300	N/A
% STATE TAX REV.	36.7%	36.4%	35.7%	37.1%	31.8%	31.4%	28.1%	26.6%	N/A
Per Capita	$178	$200	$198	$248	$225	$226	$218	$220	N/A
ST IND. INC. ($1,000)	$437,649	$548,944	$655,496	$763,627	$907,619	$955,931	$1,034,676	$1,159,923	N/A
% STATE TAX REV.	30.3%	32.6%	37.6%	35.8%	39.7%	40.8%	40.4%	42.6%	N/A
Per Capita	$147	$179	$208	$239	$281	$293	$314	$353	N/A
ST CORP. INC. ($1,000)	$103,465	$91,400	$56,184	$87,721	$101,654	$116,937	$124,085	$146,776	N/A
% STATE TAX REV.	7.2%	5.4%	3.2%	4.1%	4.4%	5.0%	4.8%	5.4%	N/A
Per Capita	$35	$30	$18	$28	$31	$36	$38	$45	N/A
ST SEVER. ($1,000)	$35,879	$49,184	$27,056	$30,009	$30,401	$22,577	$9,694	$15,330	N/A
% STATE TAX REV.	2.5%	2.9%	1.6%	1.4%	1.3%	1.0%	0.4%	0.6%	N/A
Per Capita	$12	$16	$9	$9	$9	$7	$3	$5	N/A
ST MOTOR F. ($1,000)	$108,382	$138,802	$143,016	$188,739	$186,619	$194,444	$291,575	$300,032	N/A
% STATE TAX REV.	7.5%	8.2%	8.2%	8.8%	8.2%	8.3%	11.4%	11.0%	N/A
Per Capita	$36	$45	$45	$59	$58	$60	$88	$91	N/A
ST MOTOR V. ($1,000)	$52,538	$53,799	$54,354	$67,069	$68,868	$72,935	$77,538	$82,358	N/A
% STATE TAX REV.	3.6%	3.2%	3.1%	3.1%	3.0%	3.1%	3.0%	3.0%	N/A
Per Capita	$18	$18	$17	$21	$21	$22	$24	$25	N/A
ST OTHER ($1,000)	$177,983	$190,038	$184,571	$204,278	$262,772	$244,902	$305,263	$297,048	N/A
% STATE TAX REV.	12.3%	11.3%	10.6%	9.6%	11.5%	10.4%	11.9%	10.9%	N/A
Per Capita	$60	$62	$59	$64	$81	$75	$93	$90	N/A
LOCAL TAX REV. ($1,000)	$1,514,400	$1,743,600	$1,908,900	$2,123,300	$2,395,402	$2,508,012	$2,718,787	$2,838,441	N/A
% TOTAL TAX REV.	51.2%	50.9%	52.3%	49.9%	51.2%	51.7%	51.5%	51.0%	N/A
Per Capita	$508	$568	$606	$666	$741	$768	$825	$863	N/A
LC GEN. SALES ($1,000)	$369,200	$430,300	$502,600	$550,400	$634,284	$660,079	$689,476	$711,489	N/A
% LOCAL TAX REV.	24.4%	24.7%	26.3%	25.9%	26.5%	26.3%	25.4%	25.1%	N/A
Per Capita	$124	$140	$160	$173	$196	$202	$209	$216	N/A
LC PROPERTY ($1,000)	$1,040,400	$1,196,900	$1,275,200	$1,410,000	$1,598,222	$1,692,943	$1,877,704	$1,986,992	$2,178,165
% LOCAL TAX REV.	68.7%	68.6%	66.8%	66.4%	66.7%	67.5%	69.1%	70.0%	N/A
Per Capita	$349	$390	$405	$442	$494	$518	$570	$604	$653
LC IND/CORP INC. ($1,000)	$0	$0	$0	$0	$0	$0	$0	$0	N/A
% LOCAL TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
LC OTHER ($1,000)	$104,800	$116,400	$131,100	$162,900	$162,896	$154,990	$151,607	$139,960	N/A
% LOCAL TAX REV.	6.9%	6.7%	6.9%	7.7%	6.8%	6.2%	5.6%	4.9%	N/A
Per Capita	$35	$38	$42	$51	$50	$47	$46	$43	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

Appendix A
State and Local Tax Data: Iowa
Fiscal Years 80/81-88/89

STATE: Iowa	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	2,918	2,908	2,905	2,904	2,880	2,850	2,834	2,834	2,822
TOTAL TAX REV.	$3,028,407	$3,292,691	$3,402,189	$3,703,903	$3,838,565	$4,041,095	$4,336,290	$4,695,519	N/A
STATE TAX REV. ($1,000)	$1,835,807	$1,996,991	$2,014,289	$2,241,503	$2,307,406	$2,459,172	$2,662,110	$2,841,657	N/A
% TOTAL TAX REV.	60.6%	60.6%	59.2%	60.5%	60.1%	60.9%	61.4%	60.5%	N/A
Per Capita	$629	$687	$693	$772	$801	$863	$939	$1,003	N/A
ST GEN. SALES ($1,000)	$514,727	$523,397	$571,087	$736,265	$757,765	$768,564	$826,107	$859,033	N/A
% STATE TAX REV.	28.0%	26.2%	28.4%	32.8%	32.8%	31.3%	31.0%	30.2%	N/A
Per Capita	$176	$180	$197	$254	$263	$270	$291	$303	N/A
ST IND. INC. ($1,000)	$673,470	$720,883	$724,127	$788,001	$824,551	$864,475	$955,232	$1,064,816	N/A
% STATE TAX REV.	36.7%	36.1%	35.9%	35.2%	35.7%	35.2%	35.9%	37.5%	N/A
Per Capita	$231	$248	$249	$271	$286	$303	$337	$376	N/A
ST CORP. INC. ($1,000)	$135,868	$147,115	$138,483	$132,093	$154,412	$138,588	$149,602	$158,040	N/A
% STATE TAX REV.	7.4%	7.4%	6.9%	5.9%	6.7%	5.6%	5.6%	5.6%	N/A
Per Capita	$47	$51	$48	$45	$54	$49	$53	$56	N/A
ST SEVER. ($1,000)	$0	$0	$0	$0	$0	$0	$0	$0	N/A
% STATE TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
ST MOTOR F. ($1,000)	$156,864	$180,037	$188,271	$196,128	$182,417	$230,549	$252,041	$266,094	N/A
% STATE TAX REV.	8.5%	9.0%	9.3%	8.7%	7.9%	9.4%	9.5%	9.4%	N/A
Per Capita	$54	$62	$65	$68	$63	$81	$89	$94	N/A
ST MOTOR V. ($1,000)	$144,095	$144,928	$146,728	$143,227	$136,058	$168,854	$176,462	$184,489	N/A
% STATE TAX REV.	7.8%	7.3%	7.3%	6.4%	5.9%	6.9%	6.6%	6.5%	N/A
Per Capita	$49	$50	$51	$49	$47	$59	$62	$65	N/A
ST OTHER ($1,000)	$210,783	$280,631	$245,593	$245,789	$252,203	$288,142	$302,666	$309,185	N/A
% STATE TAX REV.	11.5%	14.1%	12.2%	11.0%	10.9%	11.7%	11.4%	10.9%	N/A
Per Capita	$72	$97	$85	$85	$88	$101	$107	$109	N/A
LOCAL TAX REV. ($1,000)	$1,192,600	$1,295,700	$1,387,900	$1,462,400	$1,531,159	$1,581,923	$1,674,180	$1,853,862	N/A
% TOTAL TAX REV.	39.4%	39.4%	40.8%	39.5%	39.9%	39.1%	38.6%	39.5%	N/A
Per Capita	$409	$446	$478	$504	$532	$555	$591	$654	N/A
LC GEN. SALES ($1,000)	$0	$0	$0	$0	$0	$0	$1,611	$7,247	N/A
% LOCAL TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$1	$3	N/A
LC PROPERTY ($1,000)	$1,170,200	$1,272,500	$1,363,100	$1,434,100	$1,500,502	$1,551,273	$1,638,844	$1,810,026	$1,810,558
% LOCAL TAX REV.	98.1%	98.2%	98.2%	98.1%	98.0%	98.1%	97.9%	97.6%	N/A
Per Capita	$401	$438	$469	$494	$521	$544	$578	$639	$642
LC IND/CORP INC. ($1,000)	$0	$0	$0	$0	$1	$40	$65	$129	N/A
% LOCAL TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
LC OTHER ($1,000)	$22,400	$23,200	$24,800	$28,300	$30,656	$30,610	$33,660	$36,460	N/A
% LOCAL TAX REV.	1.9%	1.8%	1.8%	1.9%	2.0%	1.9%	2.0%	2.0%	N/A
Per Capita	$8	$8	$9	$10	$11	$11	$12	$13	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

Appendix A
State and Local Tax Data: Kansas
Fiscal Years 80/81-88-89

STATE: Kansas	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	2,389	2,410	2,428	2,441	2,449	2,459	2,476	2,487	2,501
TOTAL TAX REV.	$2,371,977	$2,489,536	$2,737,325	$3,071,928	$3,323,863	$3,430,333	$3,732,865	$4,182,286	N/A
STATE TAX REV. ($1,000)	$1,392,277	$1,402,736	$1,565,625	$1,789,628	$1,915,199	$1,911,548	$2,085,490	$2,445,284	N/A
% TOTAL TAX REV.	58.7%	56.3%	57.2%	58.3%	57.6%	55.7%	55.9%	58.5%	N/A
Per Capita	$583	$582	$645	$733	$782	$777	$842	$983	N/A
ST GEN. SALES ($1,000)	$449,213	$470,762	$498,495	$518,907	$546,933	$560,718	$726,833	$775,633	N/A
% STATE TAX REV.	32.3%	33.6%	31.8%	29.0%	28.6%	29.3%	34.9%	31.7%	N/A
Per Capita	$188	$195	$205	$213	$223	$228	$294	$312	N/A
ST IND. INC. ($1,000)	$415,015	$419,821	$530,657	$567,469	$603,459	$582,158	$634,479	$826,318	N/A
% STATE TAX REV.	29.8%	29.9%	33.9%	31.7%	31.5%	30.5%	30.4%	33.8%	N/A
Per Capita	$174	$174	$219	$232	$246	$237	$256	$332	N/A
ST CORP. INC. ($1,000)	$150,421	$122,549	$141,347	$136,665	$159,670	$156,344	$137,061	$195,520	N/A
% STATE TAX REV.	10.8%	8.7%	9.0%	7.6%	8.3%	8.2%	6.6%	8.0%	N/A
Per Capita	$63	$51	$58	$56	$65	$64	$55	$79	N/A
ST SEVER. ($1,000)	$1,007	$1,013	$2,339	$116,990	$111,886	$102,108	$63,601	$81,812	N/A
% STATE TAX REV.	0.1%	0.1%	0.1%	6.5%	5.8%	5.3%	3.0%	3.3%	N/A
Per Capita	$0	$0	$1	$48	$46	$42	$26	$33	N/A
ST MOTOR F. ($1,000)	$114,632	$116,416	$115,180	$143,362	$148,825	$151,651	$156,753	$170,035	N/A
% STATE TAX REV.	8.2%	8.3%	7.4%	8.0%	7.8%	7.9%	7.5%	7.0%	N/A
Per Capita	$48	$48	$47	$59	$61	$62	$63	$68	N/A
ST MOTOR V. ($1,000)	$69,851	$70,530	$69,376	$71,929	$75,148	$74,990	$73,915	$78,339	N/A
% STATE TAX REV.	5.0%	5.0%	4.4%	4.0%	3.9%	3.9%	3.5%	3.2%	N/A
Per Capita	$29	$29	$29	$29	$31	$30	$30	$31	N/A
ST OTHER ($1,000)	$192,138	$201,645	$208,231	$234,306	$269,278	$283,579	$292,848	$317,627	N/A
% STATE TAX REV.	13.8%	14.4%	13.3%	13.1%	14.1%	14.8%	14.0%	13.0%	N/A
Per Capita	$80	$84	$86	$96	$110	$115	$118	$128	N/A
LOCAL TAX REV. ($1,000)	$979,700	$1,086,800	$1,171,700	$1,282,300	$1,408,664	$1,518,785	$1,647,375	$1,737,002	N/A
% TOTAL TAX REV.	41.3%	43.7%	42.8%	41.7%	42.4%	44.3%	44.1%	41.5%	N/A
Per Capita	$410	$451	$483	$525	$575	$618	$665	$698	N/A
LC GEN. SALES ($1,000)	$33,100	$40,700	$50,100	$85,200	$121,113	$149,529	$191,091	$214,788	N/A
% LOCAL TAX REV.	3.4%	3.7%	4.3%	6.6%	8.6%	9.8%	11.6%	12.4%	N/A
Per Capita	$14	$17	$21	$35	$49	$61	$77	$86	N/A
LC PROPERTY ($1,000)	$895,400	$988,800	$1,056,600	$1,116,700	$1,200,764	$1,283,534	$1,363,899	$1,426,940	$1,495,738
% LOCAL TAX REV.	91.4%	91.0%	90.2%	87.1%	85.2%	84.5%	82.8%	82.1%	N/A
Per Capita	$375	$410	$435	$457	$490	$522	$551	$574	$598
LC IND/CORP INC. ($1,000)	$0	$0	$0	$0	$4	$2	$0	$0	N/A
% LOCAL TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
LC OTHER ($1,000)	$51,200	$57,300	$65,000	$80,400	$86,783	$85,720	$92,385	$95,274	N/A
% LOCAL TAX REV.	5.2%	5.3%	5.5%	6.3%	6.2%	5.6%	5.6%	5.5%	N/A
Per Capita	$21	$24	$27	$33	$35	$35	$37	$38	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

Appendix A
State and Local Tax Data: Missouri
Fiscal Years 88/81-88/89

STATE: Missouri	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	4,939	4,943	4,965	5,004	5,034	5,064	5,103	5,139	5,168
TOTAL TAX REV.	$3,883,465	$4,144,057	$4,626,825	$5,070,302	$5,484,597	$5,835,300	$6,361,580	$7,051,065	N/A
STATE TAX REV. ($1,000)	$2,142,965	$2,313,057	$2,640,325	$3,053,002	$3,352,482	$3,608,083	$3,942,295	$4,405,501	N/A
% TOTAL TAX REV.	55.2%	5.58%	57.1%	60.2%	61.1%	61.8%	62.0%	62.5%	N/A
Per Capita	$434	$468	$532	$610	$666	$712	$773	$857	N/A
ST GEN. SALES ($1,000)	$787,185	$839,003	$984,874	$1,328,464	$1,418,212	$1,530,176	$1,624,025	$1,683,481	N/A
% STATE TAX REV.	36.7%	36.3%	37.3%	43.5%	42.3%	42.4%	41.2%	38.2%	N/A
Per Capita	$159	$170	$198	$265	$282	$302	$318	$328	N/A
ST IND. INC. ($1,000)	$669,728	$760,711	$885,272	$903,604	$1,053,598	$1,116,470	$1,247,536	$1,515,970	N/A
% STATE TAX REV.	31.3%	32.9%	33.5%	29.6%	31.4%	30.9%	31.6%	34.4%	N/A
Per Capita	$136	$154	$178	$181	$209	$220	$244	$295	N/A
ST CORP. INC. ($1,000)	$128,282	$123,072	$118,625	$165,652	$160,564	$174,199	$235,352	$224,228	N/A
% STATE TAX REV.	6.0%	5.3%	4.5%	5.4%	4.8%	4.8%	6.0%	5.1%	N/A
Per Capita	$26	$25	$24	$33	$32	$34	$46	$44	N/A
ST SEVER. ($1,000)	$19	$30	$25	$26	$41	$31	$21	$33	N/A
% STATE TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
ST MOTOR F. ($1,000)	$186,323	$193,579	$194,290	$197,044	$205,701	$214,924	$215,212	$339,738	N/A
% STATE TAX REV.	8.7%	8.4%	7.4%	6.5%	6.1%	6.0%	5.5%	7.7%	N/A
Per Capita	$38	$39	$39	$39	$41	$42	$42	$66	N/A
ST MOTOR V. ($1,000)	$109,594	$110,939	$117,529	$129,155	$165,174	$179,157	$185,017	$195,344	N/A
% STATE TAX REV.	5.1%	4.8%	4.5%	4.2%	4.9%	5.0%	4.7%	4.4%	N/A
Per Capita	$22	$22	$24	$26	$33	$35	$36	$38	N/A
ST OTHER ($1,000)	$261,834	$285,723	$339,710	$329,057	$349,192	$393,126	$435,132	$446,707	N/A
% STATE TAX REV.	12.2%	12.4%	12.9%	10.8%	10.4%	10.9%	11.0%	10.1%	N/A
Per Capita	$53	$58	$68	$66	$69	$78	$85	$87	N/A
LOCAL TAX REV. ($1,000)	$1,740,500	$1,831,000	$1,986,500	$2,017,300	$2,132,115	$2,227,217	$2,419,285	$2,645,564	N/A
% TOTAL TAX REV.	44.8%	44.2%	42.9%	39.8%	38.9%	38.2%	38.0%	37.5%	N/A
Per Capita	$352	$370	$400	$403	$424	$440	$474	$515	N/A
LC GEN. SALES ($1,000)	$266,800	$302,300	$340,800	$379,400	$445,776	$491,568	$518,572	$562,591	N/A
% LOCAL TAX REV.	15.3%	16.5%	17.2%	18.8%	20.9%	22.1%	21.4%	21.3%	N/A
Per Capita	$54	$61	$69	$76	$89	$97	$102	$109	N/A
LC PROPERTY ($1,000)	$1,087,900	$1,121,300	$1,205,300	$1,165,300	$1,194,292	$1,224,263	$1,375,329	$1,509,865	$1,806,000
% LOCAL TAX REV.	62.5%	61.2%	60.7%	57.8%	56.0%	55.0%	56.8%	57.1%	N/A
Per Capita	$220	$227	$243	$233	$237	$242	$270	$294	$349
LC IND/CORP INC. ($1,000)	$122,200	$125,300	$128,500	$136,400	$151,932	$164,087	$172,883	$177,598	N/A
% LOCAL TAX REV.	7.0%	6.8%	6.5%	6.8%	7.1%	7.4%	7.1%	6.7%	N/A
Per Capita	$25	$25	$26	$27	$30	$32	$34	$35	N/A
LC OTHER ($1,000)	$263,600	$282,100	$311,900	$336,200	$340,115	$347,299	$352,501	$395,510	N/A
% LOCAL TAX REV.	15.1%	15.4%	15.7%	16.7%	16.0%	15.6%	14.6%	14.9%	N/A
Per Capita	$53	$57	$63	$67	$68	$69	$69	$77	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

Appendix A
State and Local Tax Data: Nebraska
Fiscal Years 80/81-88/89

STATE: Nebraska	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	1,583	1,590	1,596	1,605	1,604	1,598	1,594	1,601	1,604
TOTAL TAX REV.	$1,528,860	$1,645,227	$1,831,154	$1,978,742	$2,009,569	$2,138,391	$2,327,909	$2,495,059	N/A
STATE TAX REV. ($1,000)	$803,960	$860,527	$987,454	$1,068,742	$1,040,064	$1,119,392	$1,203,344	$1,342,868	N/A
% TOTAL TAX REV.	52.6%	52.3%	53.9%	54.0%	51.8%	52.3%	51.7%	53.8%	N/A
Per Capita	$508	$541	$619	$666	$648	$700	$755	$839	N/A
ST GEN. SALES ($1,000)	$281,212	$288,517	$356,608	$374,541	$341,429	$349,884	$390,546	$447,790	N/A
% STATE TAX REV.	35.0%	33.5%	36.1%	35.0%	32.8%	31.3%	32.5%	33.3%	N/A
Per Capita	$178	$181	$223	$233	$213	$219	$245	$280	N/A
ST IND. INC. ($1,000)	$201,161	$226,560	$280,662	$304,318	$318,848	$351,828	$359,803	$432,035	N/A
% STATE TAX REV.	25.0%	26.3%	28.4%	28.5%	30.7%	31.4%	29.9%	32.2%	N/A
Per Capita	$127	$142	$176	$190	$199	$220	$226	$270	N/A
ST CORP. INC. ($1,000)	$54,128	$48,498	$51,635	$66,909	$48,959	$54,559	$67,423	$73,783	N/A
% STATE TAX REV.	6.7%	5.6%	5.2%	6.3%	4.7%	4.9%	5.6%	5.5%	N/A
Per Capita	$34	$31	$32	$42	$31	$34	$42	$46	N/A
ST SEVER. ($1,000)	$4,196	$6,010	$5,217	$4,539	$4,607	$4,037	$2,396	$2,571	N/A
% STATE TAX REV.	0.5%	0.7%	0.5%	0.4%	0.4%	0.4%	0.2%	0.2%	N/A
Per Capita	$3	$4	$3	$3	$3	$3	$2	$2	N/A
ST MOTOR F. ($1,000)	$115,410	$125,715	$194,290	$129,981	$127,565	$146,546	$161,842	$165,798	N/A
% STATE TAX REV.	14.4%	14.6%	19.7%	12.2%	12.3%	13.1%	13.4%	12.3%	N/A
Per Capita	$73	$79	$122	$81	$80	$92	$102	$104	N/A
ST MOTOR V. ($1,000)	$44,327	$43,765	$44,932	$48,543	$50,452	$49,381	$50,586	$50,464	N/A
% STATE TAX REV.	5.5%	5.1%	4.6%	4.5%	4.9%	4.4%	4.2%	3.8%	N/A
Per Capita	$28	$28	$28	$30	$31	$31	$32	$32	N/A
ST OTHER ($1,000)	$103,526	$121,462	$54,110	$139,911	$148,204	$163,157	$170,748	$170,427	N/A
% STATE TAX REV.	12.9%	14.1%	5.5%	13.1%	14.2%	14.6%	14.2%	12.7%	N/A
Per Capita	$65	$76	$34	$87	$92	$102	$107	$106	N/A
LOCAL TAX REV. ($1,000)	$724,900	$784,700	$843,700	$910,000	$969,505	$1,018,999	$1,124,565	$1,152,191	N/A
% TOTAL TAX REV.	47.4%	47.7%	46.1%	46.0%	48.2%	47.7%	48.3%	46.2%	N/A
Per Capita	$458	$494	$529	$567	$604	$638	$705	$720	N/A
LC GEN. SALES ($1,000)	$43,700	$48,200	$49,400	$54,500	$55,819	$57,544	$67,547	$75,054	N/A
% LOCAL TAX REV.	6.0%	6.1%	5.9%	6.0%	5.8%	5.6%	6.0%	6.5%	N/A
Per Capita	$28	$30	$31	$34	$35	$36	$42	$47	N/A
LC PROPERTY ($1,000)	$648,700	$701,800	$756,100	$811,600	$865,205	$921,436	$1,010,576	$1,028,505	$1,167,483
% LOCAL TAX REV.	89.5%	89.4%	89.6%	89.2%	89.2%	90.4%	89.9%	89.3%	N/A
Per Capita	$410	$441	$474	$506	$539	$577	$634	$642	$728
LC IND/CORP INC. ($1,000)	$0	$0	$0	$0	$0	$0	$0	$0	N/A
% LOCAL TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
LC OTHER ($1,000)	$32,500	$34,700	$38,200	$43,900	$48,481	$40,019	$46,442	$48,632	N/A
% LOCAL TAX REV.	4.5%	4.4%	4.5%	4.8%	5.0%	3.9%	4.1%	4.2%	N/A
Per Capita	$21	$22	$24	$27	$30	$25	$29	$30	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

Appendix A
State and Local Tax Data: Oklahoma
Fiscal Years 80/81-88/89

STATE: Oklahoma	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	3,105	3,223	3,317	3,321	3,316	3,306	3,272	3,263	3,286
TOTAL TAX REV.	$3,054,578	$3,659,324	$3,709,187	$3,821,281	$4,255,458	$4,242,665	$3,986,639	$4,548,092	N/A
STATE TAX REV. ($1,000)	$2,232,278	$2,713,324	$2,627,487	$2,661,981	$2,982,100	$2,959,632	$2,669,188	$3,150,072	N/A
% TOTAL TAX REV.	73.1%	74.1%	70.8%	69.7%	70.1%	69.8%	67.0%	69.3%	N/A
Per Capita	$719	$842	$792	$802	$899	$895	$816	$965	N/A
ST GEN. SALES ($1,000)	$382,649	$481,996	$409,125	$456,679	$630,522	$656,048	$613,769	$756,916	N/A
% STATE TAX REV.	17.1%	17.8%	15.6%	17.2%	21.1%	22.2%	23.0%	24.0%	N/A
Per Capita	$123	$150	$123	$138	$190	$198	$188	$232	N/A
ST IND. INC. ($1,000)	$494,023	$641,428	$651,202	$657,831	$727,100	$687,646	$678,828	$832,779	N/A
% STATE TAX REV.	22.1%	23.6%	24.8%	24.7%	24.4%	23.2%	25.4%	26.4%	N/A
Per Capita	$159	$199	$196	$198	$219	$208	$207	$255	N/A
ST CORP. INC. ($1,000)	$128,697	$139,022	$103,325	$97,223	$104,522	$107,077	$83,703	$83,725	N/A
% STATE TAX REV.	5.8%	5.1%	3.9%	3.7%	3.5%	3.6%	3.1%	2.7%	N/A
Per Capita	$41	$43	$31	$29	$32	$32	$26	$26	N/A
ST SEVER. ($1,000)	$601,486	$742,701	$777,687	$703,738	$708,816	$571,375	$370,178	$386,680	N/A
% STATE TAX REV.	26.9%	27.4%	29.6%	26.4%	23.8%	19.3%	13.9%	12.3%	N/A
Per Capita	$194	$230	$234	$212	$214	$173	$113	$119	N/A
ST MOTOR F. ($1,000)	$128,875	$137,724	$128,102	$145,453	$190,754	$205,681	$204,931	$311,367	N/A
% STATE TAX REV.	5.8%	5.1%	4.9%	5.5%	6.4%	6.9%	7.7%	9.9%	N/A
Per Capita	$42	$43	$39	$44	$58	$62	$63	$95	N/A
ST MOTOR V. ($1,000)	$132,027	$168,760	$180,890	$181,536	$189,878	$237,628	$218,025	$244,761	N/A
% STATE TAX REV.	5.9%	6.2%	6.9%	6.8%	6.4%	8.0%	8.2%	7.8%	N/A
Per Capita	$43	$52	$55	$55	$57	$72	$67	$75	N/A
ST OTHER ($1,000)	$364,521	$401,693	$377,156	$419,521	$430,508	$494,177	$499,754	$533,844	N/A
% STATE TAX REV.	16.3%	14.8%	14.4%	15.8%	14.4%	16.7%	18.7%	16.9%	N/A
Per Capita	$117	$125	$114	$126	$130	$149	$153	$164	N/A
LOCAL TAX REV. ($1,000)	$822,300	$946,000	$1,081,700	$1,159,300	$1,273,358	$1,283,033	$1,317,451	$1,398,020	N/A
% TOTAL TAX REV.	26.9%	25.9%	29.2%	30.3%	29.9%	30.2%	33.0%	30.7%	N/A
Per Capita	$265	$294	$326	$349	$384	$388	$403	$428	N/A
LC GEN. SALES ($1,000)	$281,600	$363,200	$389,900	$424,400	$452,317	$435,995	$436,185	$459,196	N/A
% LOCAL TAX REV.	34.2%	38.4%	36.0%	36.6%	35.5%	34.0%	33.1%	32.8%	N/A
Per Capita	$91	$113	$118	$128	$136	$132	$133	$141	N/A
LC PROPERTY ($1,000)	$492,500	$525,100	$621,800	$658,300	$744,863	$772,832	$802,219	$860,188	$864,700
% LOCAL TAX REV.	59.9%	55.5%	57.5%	56.8%	58.5%	60.2%	60.9%	61.5%	N/A
Per Capita	$159	$163	$187	$198	$225	$234	$245	$264	$263
LC IND/CORP INC. ($1,000)	$0	$0	$0	$0	$0	$0	$0	$0	N/A
% LOCAL TAX REV.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Per Capita	$0	$0	$0	$0	$0	$0	$0	$0	N/A
LC OTHER ($1,000)	$48,200	$57,700	$70,000	$76,600	$76,178	$74,206	$79,047	$78,636	N/A
% LOCAL TAX REV.	5.9%	6.1%	6.5%	6.6%	6.0%	5.8%	6.0%	5.6%	N/A
Per Capita	$16	$18	$21	$23	$23	$22	$24	$24	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

Appendix A
State and Local Tax Data: United States
Fiscal Years 80/81-88/89

United States	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89
POPULATION (thous.)	229,637	231,996	234,284	236,477	238,736	241,096	243,400	245,190	247,496
TOTAL TAX REV.	$244,528,051	$266,248,336	$284,609,395	$320,303,225	$350,366,544	$373,291,938	$405,364,630	$435,650,186	N/A
STATE TAX REV. ($1,000)	$149,751,851	$162,607,136	$171,464,295	$196,904,625	$215,893,158	$228,294,540	$247,148,658	$264,055,303	N/A
% TOTAL TAX REV.	61.2%	61.1%	60.2%	61.5%	61.6%	61.2%	61.0%	60.6%	N/A
Per Capita	$652	$701	$732	$833	$904	$947	$1,015	$1,077	N/A
ST GEN. SALES ($1,000)	$46,412,126	$50,356,889	$53,643,010	$62,563,604	$69,632,708	$74,927,418	$79,818,707	$87,009,688	N/A
% STATE TAX REV.	31.0%	31.0%	31.3%	31.8%	32.3%	32.8%	32.3%	33.0%	N/A
Per Capita	$202	$217	$229	$265	$292	$311	$328	$355	N/A
ST IND. INC. ($1,000)	$40,895,235	$45,667,517	$49,788,567	$59,002,227	$63,907,951	$67,469,485	$76,037,916	$80,133,133	N/A
% STATE TAX REV.	27.3%	28.1%	29.0%	30.0%	29.6%	29.6%	30.8%	30.3%	N/A
Per Capita	$178	$197	$213	$250	$268	$280	$312	$327	N/A
ST CORP. INC. ($1,000)	$14,143,497	$14,001,709	$13,152,503	$15,511,378	$17,631,194	$18,462,149	$20,740,041	$21,684,670	N/A
% STATE TAX REV.	9.4%	8.6%	7.7%	7.9%	8.2%	8.1%	8.4%	8.2%	N/A
Per Capita	$62	$60	$56	$66	$74	$77	$85	$88	N/A
ST SEVER. ($1,000)	$6,379,191	$7,829,520	$7,405,589	$7,248,943	$7,211,178	$6,038,399	$4,047,878	$4,326,436	N/A
% STATE TAX REV.	4.3%	4.8%	4.3%	3.7%	3.3%	2.6%	1.6%	1.6%	N/A
Per Capita	$28	$34	$32	$31	$30	$25	$17	$18	N/A
ST MOTOR F. ($1,000)	$9,733,528	$10,437,350	$10,793,330	$12,395,562	$13,351,590	$14,086,947	$15,705,469	$17,196,209	N/A
% STATE TAX REV.	6.5%	6.4%	6.3%	6.3%	6.2%	6.2%	6.4%	6.5%	N/A
Per Capita	$42	$45	$46	$52	$56	$58	$65	$70	N/A
ST MOTOR V. ($1,000)	$5,266,082	$5,564,260	$5,784,050	$6,353,571	$7,045,280	$7,679,189	$8,308,708	$8,879,338	N/A
% STATE TAX REV.	3.5%	3.4%	3.4%	3.2%	3.3%	3.4%	3.4%	3.4%	N/A
Per Capita	$23	$24	$25	$27	$30	$32	$34	$36	N/A
ST OTHER ($1,000)	$26,922,192	$28,749,891	$30,897,246	$33,829,340	$37,113,257	$39,630,953	$42,489,939	$44,825,829	N/A
% STATE TAX REV.	18.0%	17.7%	18.0%	17.2%	17.2%	17.4%	17.2%	17.0%	N/A
Per Capita	$117	$124	$132	$143	$155	$164	$175	$183	N/A
LOCAL TAX REV. ($1,000)	$94,776,200	$103,641,200	$113,145,100	$123,398,600	$134,473,386	$144,997,398	$158,215,972	$171,594,883	N/A
% TOTAL TAX REV.	38.8%	38.9%	39.8%	38.5%	38.4%	38.8%	39.0%	39.4%	N/A
Per Capita	$413	$447	$483	$522	$563	$601	$650	$700	N/A
LC GEN. SALES ($1,000)	$9,229,300	$10,240,000	$11,250,500	$12,648,000	$14,662,940	$15,888,897	$17,135,058	$18,158,782	N/A
% LOCAL TAX REV.	9.7%	9.9%	9.9%	10.2%	10.9%	11.0%	10.8%	10.6%	N/A
Per Capita	$40	$44	$48	$53	$61	$66	$70	$74	N/A
LC PROPERTY ($1,000)	$72,020,200	$78,804,900	$85,972,600	$92,595,100	$99,772,444	$107,356,355	$116,617,595	$127,190,902	$0
% LOCAL TAX REV.	76.0%	76.0%	76.0%	75.0%	74.2%	74.0%	73.7%	74.1%	N/A
Per Capita	$314	$340	$367	$392	$418	$445	$479	$519	$0
LC IND/CORP INC. ($1,000)	$5,531,200	$6,104,600	$6,445,500	$7,215,800	$7,974,444	$8,536,434	$9,663,286	$10,272,215	N/A
% LOCAL TAX REV.	5.8%	5.9%	5.7%	5.8%	5.9%	5.9%	6.1%	6.0%	N/A
Per Capita	$24	$26	$28	$31	$33	$35	$40	$42	N/A
LC OTHER ($1,000)	$7,995,500	$8,491,700	$9,476,500	$10,939,700	$12,063,558	$13,215,712	$14,800,033	$15,972,984	N/A
% LOCAL TAX REV.	8.4%	8.2%	8.4%	8.9%	9.0%	9.1%	9.4%	9.3%	N/A
Per Capita	$35	$37	$40	$46	$51	$55	$61	$65	N/A

Sources: Bureau of the Census. *Government Finances* (various years). Bureau of the Census. *State Government Finances* (various years). Population from Bureau of Economic Analysis. *Earnings by Major Industry* (Table CA5). 1987. Population extrapolated for 1988 and 1989.

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