BUSINESS TAXES IN KANSAS AND NEARBY STATES
1992 Update

Part 1: Overview of State and Local Taxation in the Region

Part 2: Results from a Simulation Model of Business Taxes and Costs

Final Report of the 1992 Kansas Inc. Business Tax Study

prepared for
Kansas Inc.

by

Patricia Oslund
Research Economist

with

Norman Clifford
Associate Scientist

Michael Bacalzo
Research Assistant

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

Anthony L. Redwood
Professor of Business
Executive Director

August, 1992
Report No. 199

TABLE OF CONTENTS

List of Tables v

List of Figures vii

Acknowledgements ix

Introduction 1

Executive Summary: Part 1
Overview of State and Local Taxation in the Region 3

Executive Summary: Part 2
Results from a Simulation Model of Taxes and Costs 9

Part 1: Overview of State and Local Taxation in the Region

State and Local Tax Structures 11

Consequences of State and Local Tax Structures 19

The Individual Income Tax 21

The Corporate Income Tax 27

Property Tax 43

Property Tax Abatement 49

Sales Tax 53

Unemployment Insurance and Worker Compensation 61

Major Tax Revisions Since 1987 65

Conclusions: Part 1 69

Part 2: Results from a Simulation Model of Business Costs and Taxes

How Do State and Local Taxes Affect Businesses? 71

Simulation Model Goals, Assumptions, and Data 75

Summary of Tax Simulation Results for Five States 83

Consequences of 1992 Kansas Tax Changes 87

Conclusions: Part 2 99

Appendix A:
State and Local Tax Data: Colorado 103
State and Local Tax Data: Iowa 105
State and Local Tax Data: Kansas 107
State and Local Tax Data: Missouri 109
State and Local Tax Data: Nebraska 111
State and Local Tax Data: Oklahoma 113
State and Local Tax Data: Regional 115
State and Local Tax Data: United States 117

Bibliography 119

LIST OF TABLES

Table 1 Individual Income Tax 25

Table 2 State Corporate Income Tax Rates, Federal Deductibility, and Effective Tax Rates 29

Table 3 Example: Apportionment for a Multi-State Unitary Firm Using Alternative Allocation Formulas 31

Table 4 Allocation Methods for Income of Multi-State Firms 32

Table 5 Research and Development Tax Credit 34

Table 6 Venture Capital Tax Credits 34

Table 7 New Job and Investment Tax Credits 39

Table 8 New Job and Investment Tax Credits Within Enterprise Zones 41

Table 9 Property Tax Rates and Ratios 48

Table 10 Property Tax Abatements 51

Table 11 Sales Tax Rate 54

Table 12 State Sales Taxes 57

Table 13 Sales Tax Exemptions for Private Firms 59

Table 14 Unemployment Insurance Benefits and Net Worth, 1991 62

Table 15 Worker Compensation Payments and Premiums (1988) 64

Table 16 Worker Compensation Rates per $100 Payroll (1992) 64

Table 17 Major Tax Revisions Since 1987 67

Table 18 Industries Selected for the Study 76

Table 19 Example of a Firm Profile: Printing and Publishing 79

Table 20 Summary Table: New Firms Receiving Tax Credits and Abatements Partial Model: Variation in Taxes Only 84

Table 21 Summary Table: Mature Firms Receiving NO Tax Credits or Abatements
Partial Model: Variation in Taxes Only 85

Table 22 Taxes for Printing and Publishing Firm
Results for Average Nonmetro Area 86

Tables Impact of 1992 Tax Changes

Table 23 Olathe: New Firm Receiving All Incentives 89
Table 24 Olathe: Established Firm Receiving No Incentives 90
Table 25 Overland Park: New Firm Receiving All Incentives 91
Table 26 Overland Park: Established Firm Receiving No Incentives 92
Table 27 Nonmetro: New Firm Receiving All Incentives 93
Table 28 Nonmetro: Established Firm Receiving No Incentives 94
Table 29 Wichita: New Firm Receiving All Incentives 95
Table 30 Wichita: Established Firm Receiving No Incentives 96
Table 31 Kansas City: New Firm Receiving All Incentives 97
Table 32 Kansas City: Established Firm Receiving No Incentives 98

LIST OF FIGURES

Figure 1 State and Local Tax Revenue 1990, Per Capita 12

Figure 2 Transfers from State to Local Governments 1990, Per Capita 12

Figure 3 State Tax Revenue Comparisons 1990, Total State Tax Revenue 14

Figure 4 State Tax Revenue Sources 1990, Per Capita 14

Figure 5 State Tax Revenue Sources 1990, Percent of Total State Tax Revenue 15

Figure 6 Local Tax Revenue Comparisons 1990, Total Local Tax Revenue 16

Figure 7 Local Tax Revenue Sources 1990, Per Capita 17

Figure 8 Local Tax Revenue Sources 1990, Percent of Local Tax Revenue 17

Figure 9 Corporate Income Tax, as Percentage of State Revenues 27

Figure 10 Property Tax, Per Capita 43

Figure 11 Sales Tax, as a Percent of State and Local Taxes 53

ACKNOWLEDGEMENTS

This research is part of a two part study of business taxes in Kansas and nearby states funded by Kansas Inc. It updates a similar study performed in 1990. In particular, the study considers the dramatic changes made to the Kansas tax structure as part of a 1992 school finance overhaul.

Charles Warren, President of Kansas Inc. provided a framework for the study, and contributed useful insights throughout its implementation.

Dr. Mohamed El-Hodiri provided the primary direction of the project, and Dr. Norman Clifford served as co-director. Dr. David Burress suggested many valuable improvements. Kshama Gargesh, Scott Nieman, Michael Bacalzo, and Roberta Pokphanh provided able assistance with data collection, computer programming, editing, and graphics throughout the project.

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

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 1992 study[1] updating information on business taxation in Kansas and five nearby states: Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Part 1 of the study 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 report considers the basic tax rate structures of the states and identifies the numerous tax incentives available to new and expanding businesses. Emphasis is placed on changes in the tax structure since 1987.

Part 2 of the study 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. This section of the study also considers the changes in the property, income, and sales taxes resulting from the 1992 Kansas school finance legislation.

---

[1] The 1992 study updates a three part study completed in 1990. See [Oslund, 1990a, 1990b, 1990c].

Executive Summary: Part 1
Overview of State and Local Taxation in the Region

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.

In terms of per capita tax revenues, the higher taxed states in the region, Colorado, Iowa, Kansas, and Nebraska, collected revenues between $1800 and $2000 during 1990. Kansas, with tax revenues of $1846 per capita, ranked 27th in the nation, substantially below the national average of $2011. The lower taxed states in the region, Missouri and Oklahoma, each collected less than $1600 per capita in 1990; they ranked 45th and 39th in the nation respectively.

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 and Missouri, all of the states in the region redistribute a substantial amount of funds from state to local jurisdictions, primarily to support education, and secondarily to support public welfare programs. Changes in the structure of taxes made by the 1992 Kansas legislature will work to increase the amount of state funding versus local funding for educational services.

Consequences of State and Local Tax Structure

States face a tradeoff between stability and equity. Taxes that depend on income are generally thought of as equitable. However, these taxes are very vulnerable to fluctuations in the business cycle. The sales tax is less vulnerable to the business cycle, but it is regressive.

Another problem faced by the sales tax is that of tax base erosion. As people change their consumption patterns, they may switch from purchases of goods (taxed) to purchases of services (generally not taxed).

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 28.8 percent in Oklahoma to a high of 43.7 percent in Colorado.

Tax rates rise progressively with income in all states except Colorado, which has adopted a flat rate of 5 percent. In the states with graduated systems, the rate faced by the highest tax bracket varies from a low of 6.0 percent in Missouri to a high of 9.98 percent in Iowa. In

Kansas, the rate currently stands at 7.75 percent for singles in the highest bracket. 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.

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 but substantially exceeds the regional average.

Tax rates in the region surrounding Kansas average between 5 and 7 percent. Kansas taxes the first $50,000 of income at 4.0 percent and income above $50,000 at 7.35 percent.

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.

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.

Enterprise zones are a common form of economic development incentive, both nationally and within the region. The 1992 Kansas Enterprise Zone Act completely overhauled the Kansas program, and actually eliminated enterprise zones in the usual sense. Legislation that provides substantial incentives to new and expanding firms regardless of geographic location now replaces the previous program. Qualified firms may receive a one-time credit of $1000 per each $100,000 investment and $1500 per each new job. Additionally, the Act provides for the establishment of *nonmetropolitan regions* in which firms are eligible for enhanced job credits of $2500.

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 58 percent of local tax revenues in Missouri, to 96 percent in Iowa. As of 1990, Kansas local governments raised over 83 percent of their revenues from this source.

Kansas has gone through two rounds of property tax revisions in recent years. The first round resulted in reappraisal of Kansas property, and in the establishment of different assessment

rates for different property classes. Overall, the changes resulted in a substantial increase in the share of taxes paid by commercial property owners.

The second round of Kansas property tax revisions resulted in the state taking over a large percentage of the responsibility for school finance. The 1992 school finance legislation has lowered property tax rates in most areas and brought them more in line with the rest of the region. However, the rate for commercial real estate still remains unusually high by regional standards.

Property Tax Abatement

Comparisons of business property taxation across states must consider the probability of property tax abatement. Based on rates 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.

Sales Tax

Sales and use taxes are imposed both at the state and local levels. The mid-1980s saw a sharp upward turn in the combined share of state and local sales taxes, both in Kansas and in the region. Since that time, the share of taxes contributed by the sales tax has leveled out at about 26 percent regionally. Within the past decade, all of the states in the region have legislated increased sales tax rates, either on a permanent or a temporary basis. Local tax rates have experienced a similar upward trend.

Exemptions for capital goods are common throughout the region. However, the details of the exemptions differ substantially across states. For example, some states exempt machinery and equipment only if it is purchased to establish a new facility. Kansas exempts manufacturing machinery and equipment more generally.

Kansas recently removed an exemption on electricity, gas, and water used for industrial purposes. The exemption has been replaced by a 2.5 percent tax.

Unemployment Insurance and Worker Compensation

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 larger. Although the federal government establishes broad regulations, the details of the system are state specific. Federal regulations exist to ensure 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. In particular, each state has a wage limit, referred to as the taxable wage base, beyond which unemployment taxes are no longer collected.

As of 1991, Kansas average unemployment insurance rates were the highest in the region. However, they still averaged less than one percent of payroll. Furthermore, Kansas maintains a healthy trust fund balance, indicating that Kansas rates are likely to be stable or declining in the future.

Worker compensation laws provide benefits to injured workers or to families in the case of a worker's death. States require that firms buy insurance to provide compensation payments. For the six states 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.

Concern over worker compensation rate increases has been prevalent in Kansas and Missouri lately. Rates in Kansas rose an average of 24 percent in 1991, the largest increase ever. Missouri now faces a rate hike proposal of over 15 percent. Legislation to limit rate hikes is being discussed in both states.

Summary of 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 revised their income taxes in order to avoid "windfall" tax increases. At the same time, many states used the opportunity to overhaul and simplify their personal income tax rates and brackets. Kansas moved from a system with eight marginal rates to a system with two in 1988, and has recently moved to a three bracket system.

Corporate taxes have also undergone reform. Colorado lowered the corporate tax rate to a flat rate of 5 percent in 1987. 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. However, corporate rate increases have been used as a revenue raising measure throughout the region. In 1989, Missouri instituted a temporary increase in the corporate rate for high income firms. An effort to make the measures permanent was defeated by voters in 1991. In 1990 and 1991, Nebraska increased corporate rates. Kansas followed suit it 1992.

Property taxes have also seen many changes. Major property tax reappraisals were completed in Kansas and Colorado during the late 1980s. Kansas moved to a system of property classifications, each class subject to a different assessment ratio. This move increased the

property tax burden on commercial real estate. Later, Kansas introduced school finance measures that significantly reduced property tax rates in most areas of the state. In Nebraska, a property tax crisis stemming from discrepancies between actual tax practices and the "uniform and equal" provisions of the Nebraska Constitution lead to a one year suspension of taxes on all personal property. The crisis appears to have been resolved by the passage of a Constitutional amendment that allows the legislature more discretion in deciding what property should be taxed.

Sales tax rate increases have been common throughout the region. Kansas increased rates in 1989, and again in 1992. Missouri increased rates on a temporary basis in 1989. Nebraska and Oklahoma instituted rate changes in 1990.

Several states have introduced or reformulated economic development incentives. Nebraska legislated major job and investment credits in 1988. Iowa initiated seed capital credits in 1990. Kansas completely overhauled its enterprise zone program in 1992, essentially eliminating enterprise zones in the traditional sense. In place of enterprise zones, the legislation offers substantial job and investment credits throughout the state, sales tax exemptions for new and expanding firms, and expanded credits in qualified nonmetropolitan areas.

Part 1 Conclusions

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.

Executive Summary: Part 2
Results from a Simulation Model of Taxes and Costs

How Do State and Local Taxes Affect Businesses?

Throughout the 1980s, state and local governments played an increasingly active role in trying to attract and retain jobs. Their efforts were particularly intense in areas which experienced declines in traditional manufacturing and extractive industries due to changes in global competitive conditions. Tax policy was a major focus of the attempt to stimulate a healthy economy both nationally and in the states. Much of the push for state tax reform during the 1980s was directed toward the use of special tax credits and abatements. Tax incentives, along with other inducements such as industrial revenue bond financing, dominated much of the state and local involvement in efforts to encourage business growth.

State and local governments have spent considerable time and money developing and implementing both general tax reforms and specific tax incentive programs. Ironically, there is considerable debate about whether the general level of state and local taxation, or any of the specific abatement programs, influence job and investment growth. The issue has been examined numerous times and in numerous ways. But the results of academic studies of the issue are inconclusive.

Purposes of IPPBR Model

In parallel to the academic debate about the role of taxes in business decisions runs a "real world" policy debate in legislatures throughout the region. Legislators must try to balance the needs of households, in-state businesses, and businesses that might potentially be attracted to the state. The 1992 Kansas legislature faced a particularly difficult task, in that changes in the method of school finance, while reducing property taxes overall, actually increased taxes in some areas of the state.

At the request of the 1992 legislature, IPPBR employed a tax simulation model developed with the sponsorship of Kansas Inc. in order to estimate the impacts of several alternative proposals for changes in the Kansas tax structure. Since the end of the 1992 session, IPPBR has updated the model and used it in order to produce two sets of comparisons: first, comparisons of Kansas taxes with those in surrounding states; and second, comparisons of the impact of tax changes on selected industries in various locations in the state.

Overview of Tax Simulation Model

The IPPBR Tax Simulation model provides a flexible method for comparing taxes and costs across states. Although the model cannot answer the question of how strongly taxes influence firm location decisions, it does develop a framework in which the question can be posed. The model produces estimates of key variables affecting a firm's location decision: the amount of the

firm's federal, state, and local taxes, the cost of the firm's inputs, and the costs of assets such as land and buildings.

The simulations in this report include:

1. estimation of the business costs and taxes of a typical firm in each of several industries.
2. estimation of costs and taxes for a variety of locations, including metro and nonmetro areas.
3. analysis of the impact of tax changes on Kansas businesses, broken down by cities and industries.

The results presented in this report contrast two alternative sets of assumptions. In one scenario, firms are assumed to qualify for all incentives allowed for new firms in their respective industries. The firm is assumed to locate in an enterprise zone in the states where enterprise zone credits exist. In states which allow 100 percent property tax abatements, the firm is assumed to receive the full tax break. The first scenario approximates the situation of a "footloose" firm which can shop for the best incentive package available in the region.

The alternative scenario offers the firm no special tax credits or abatements. This scenario is intended to represent the situation of a mature, long established firm which is currently neither expanding nor changing locations. The mature firm pays taxes in line with the basic tax structure of the state in which it is located. A mature firm may be discouraged from making additional investments in a state by a high business tax level.

Model Results

The simulation model shows that new firms in most Kansas locations would, over a 20 year period, pay a total amount of taxes somewhat less than the regional average. Taxes should not discourage firms from considering Kansas locations. However the situation is worse for mature Kansas firms. Depending on location, the model shows taxes for these firms to be between 5 and 14 percent higher than the regional average. This may discourage Kansas firms from growth and expansion.

The model shows that for many locations in the state, the positive effect of property tax relief is offset by new corporate income and sales taxes. In general, the 1992 tax package does little to bring the overall level of Kansas taxes in line with the region. However some areas of the state, those which prior to 1992 levied extremely high property taxes for education, should find it easier to attract businesses.

PART 1: OVERVIEW OF STATE AND LOCAL TAXATION IN THE REGION

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 $1800 and $2000 during 1990. Kansas, with tax revenues of $1846 per capita, ranked 27th in the nation, substantially below the national average of $2011. The lower taxed states in the region, Missouri and Oklahoma, each collected less than $1600 per capita in 1990; they ranked 45th 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, the percentage of total revenue collected by local taxing authorities in Colorado, Kansas, and Nebraska is greater

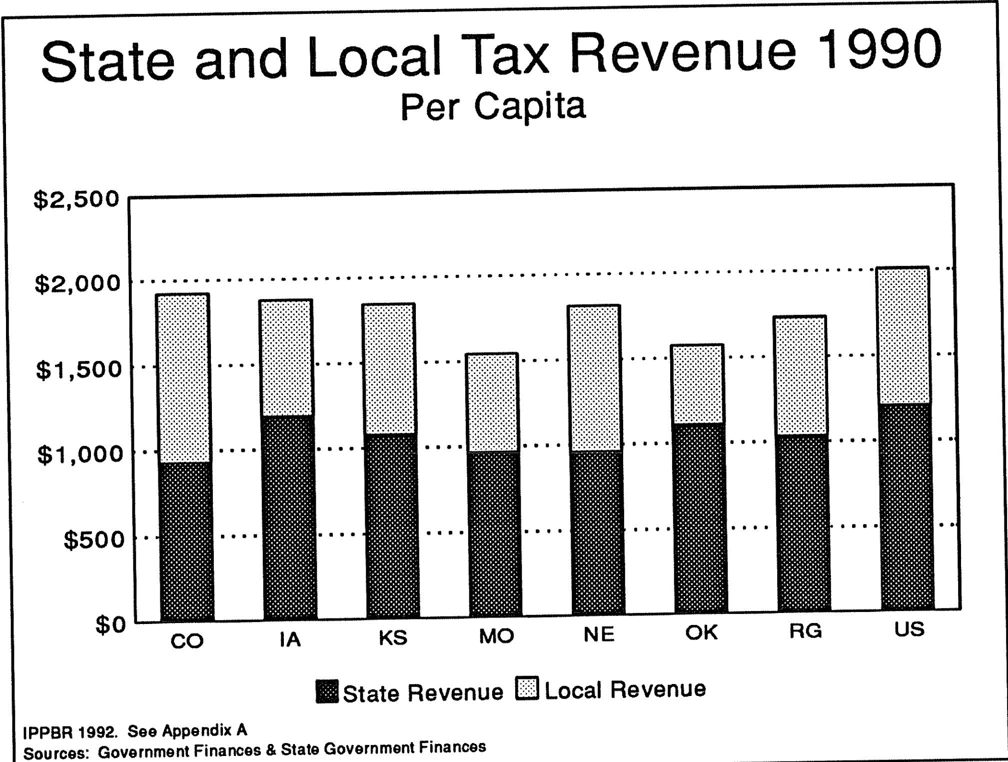

Figure 1

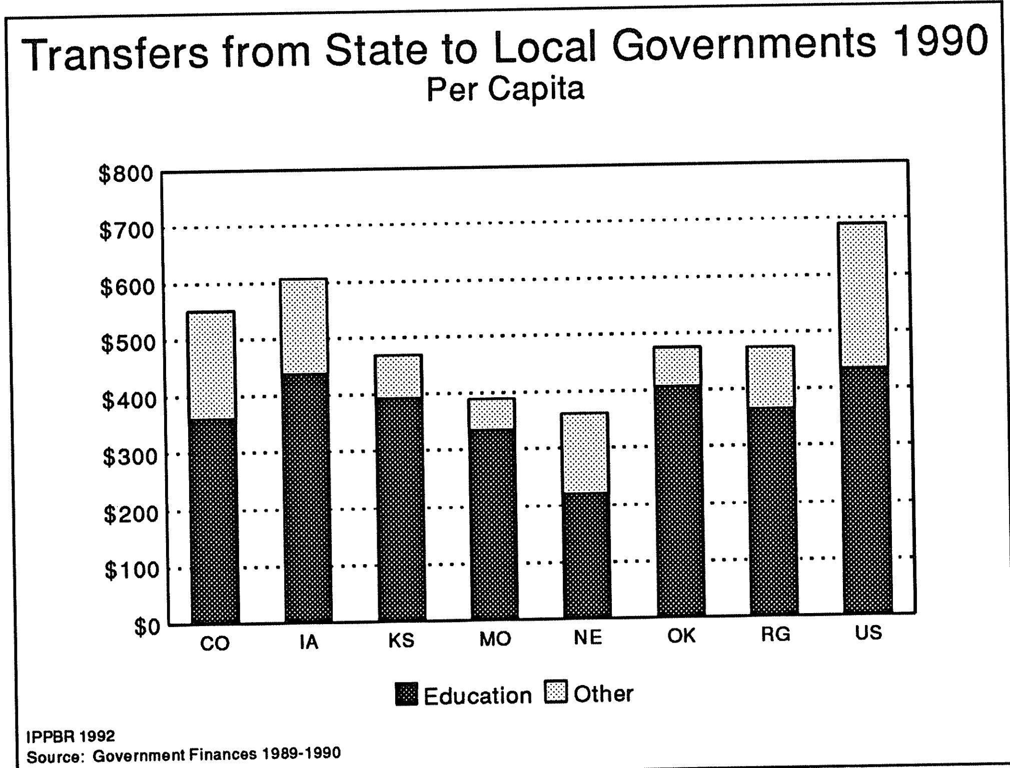

Figure 2

than the national average of 40 percent. Iowa, Missouri, and especially Oklahoma depend more heavily on state rather than local taxes.

There is no simple relationship between the amount of funds collected at the local level and the degree of support for locally provided services (Figure 2). With the exception of Nebraska and Missouri, all of the states in the region redistribute a substantial amount of funds from state to local jurisdictions, primarily to support education, and secondarily to support public welfare programs. Changes in the structure of taxes made by the 1992 Kansas legislature will work to increase the amount of state funding versus local funding for educational services.

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 3 to 5 and Appendix A). In 1990, 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, 1990 data for Kansas, Missouri and Nebraska follow the national pattern, while Colorado, Iowa, and Oklahoma derive the largest percentage of their receipts from personal income taxes.

On average, the states in the region receive about 6 to 7 percent of their tax revenue from corporate income taxes. Kansas stands out in the region with corporate taxes comprising close to 11 percent of revenue in 1990. 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.

For the U.S., as a whole, reliance on the general sales tax as a percentage of state revenue, while initially increasing during the early 80's, have more recently leveled off at around 33 percent. Of the states in the region, only Nebraska has shown a similar leveling off. Oklahoma has been increasing its reliance on the general sales tax while Colorado has been decreasing it. Missouri and Iowa, while initially increasing their dependence on the general sales tax have since returned to early 80's levels. In Kansas, reliance on sales taxes show no particular trend during the 1980s, averaging around 32 percent of total state revenue. The Kansas sales tax should start to increase as a share of state revenue due to recent rate and base increases.

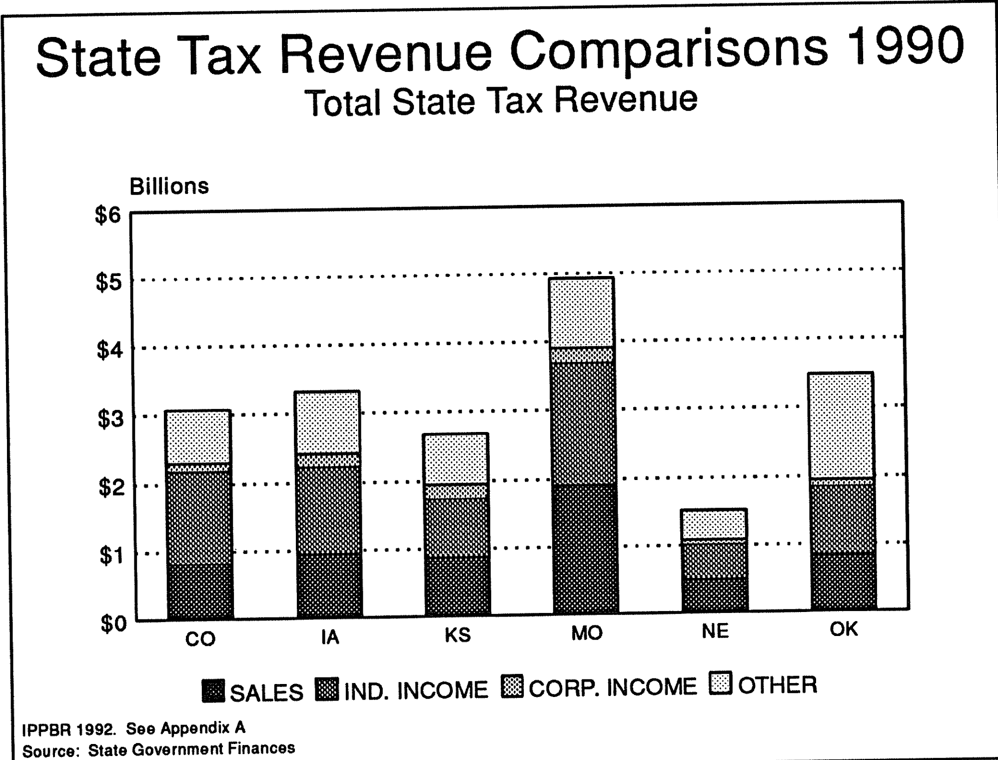

Figure 3

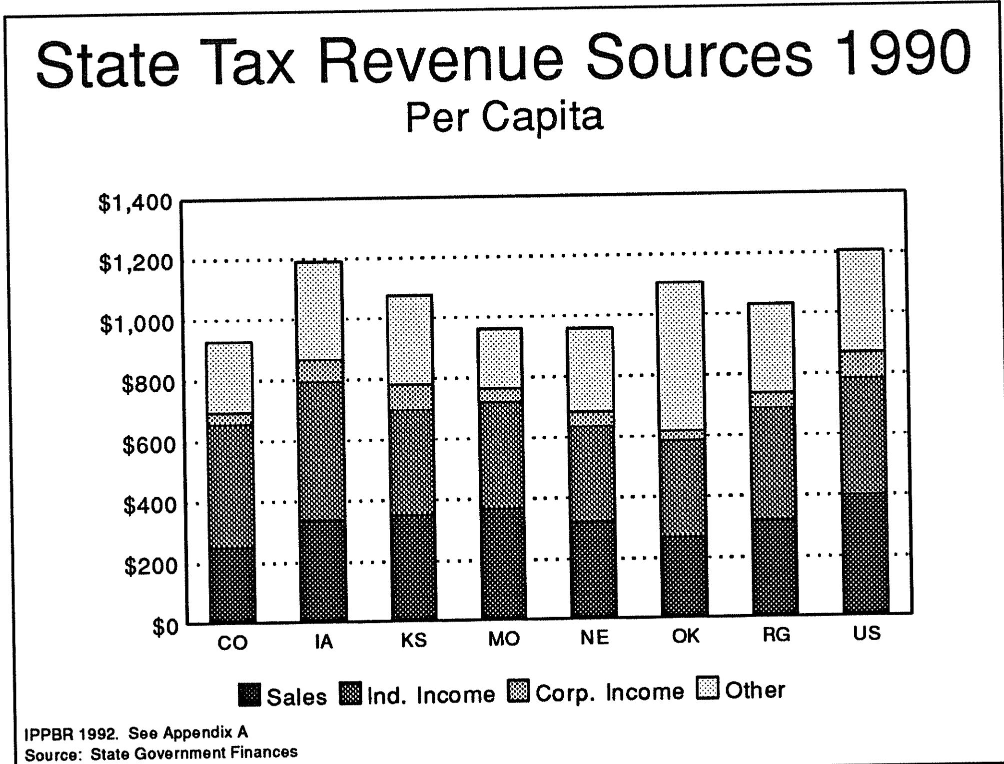

Figure 4

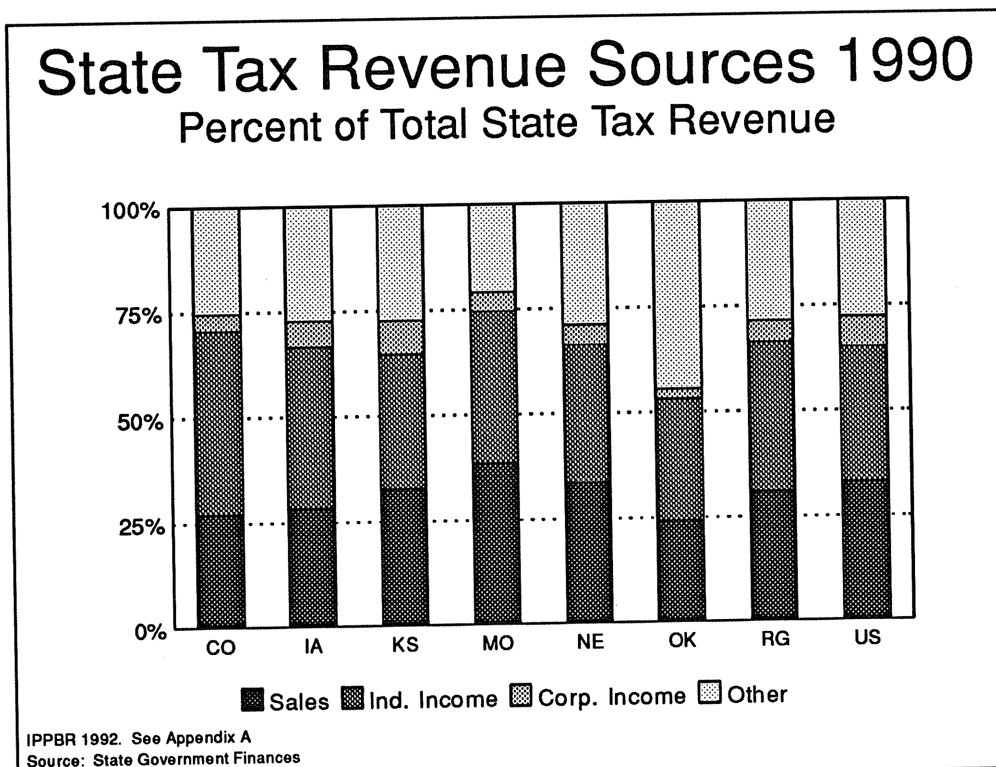

Figure 5

Composition of Local Taxes

Local governments depend primarily on property taxes for financing, as illustrated in Figures 6 through 8 and in the data in Appendix A. Within the region, the share of property taxes in local tax revenues runs from a high of almost 96 percent in Iowa to a low of about 58 percent in Missouri. In 1990, property taxes provided almost 84 percent of local tax receipts in Kansas. This compares with a national average of 74.5 percent.

Aggregates for the U.S. show a slow upward trend in the reliance of local governments on the sales tax. During the 1980s, sales taxes rose from 9.7 to 10.7 percent of local tax collections. At the same time, property taxes fell from 76 to 74.5 percent of taxes.

Both Kansas and Missouri have followed this national trend. In both states, the share of revenue provided by local sales taxes rose during the 1980s, but has recently stabilized. While Kansas local governments derived a mere 3.4 percent of local tax revenue from local sales taxes in 1981, by 1988 that share had risen to 12.4 percent. As of 1990, however, this percentage has dropped to 10.7 percent. During the same period, the sales tax share of local revenue in Missouri

rose from 15.3 percent to 21.5 percent by 1990. In Colorado, the sales tax share remained essentially constant throughout the 1980s. Nebraska started to show an upward trend toward the end of the decade. Oklahoma, on the other hand, has fluctuated considerably and has shown no clear trend. Iowa localities have just recently gained the authority to impose sales taxes. While it is still too early to determine whether this will become an important source of local finance, its percentage share has shown an increasing trend.

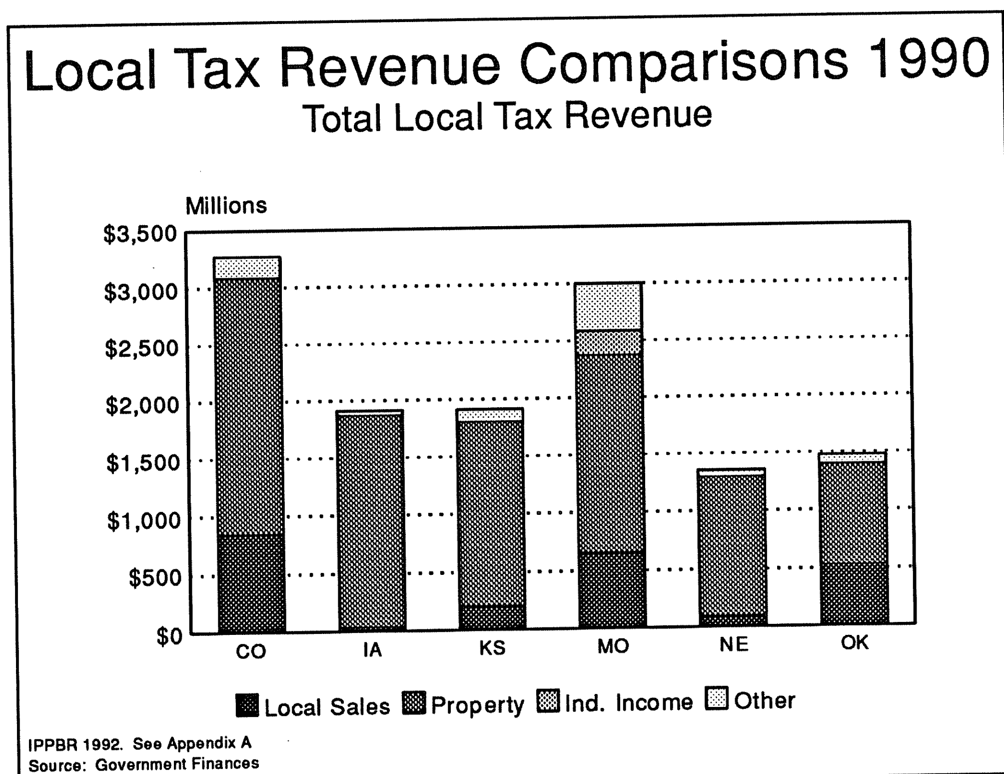

Figure 6

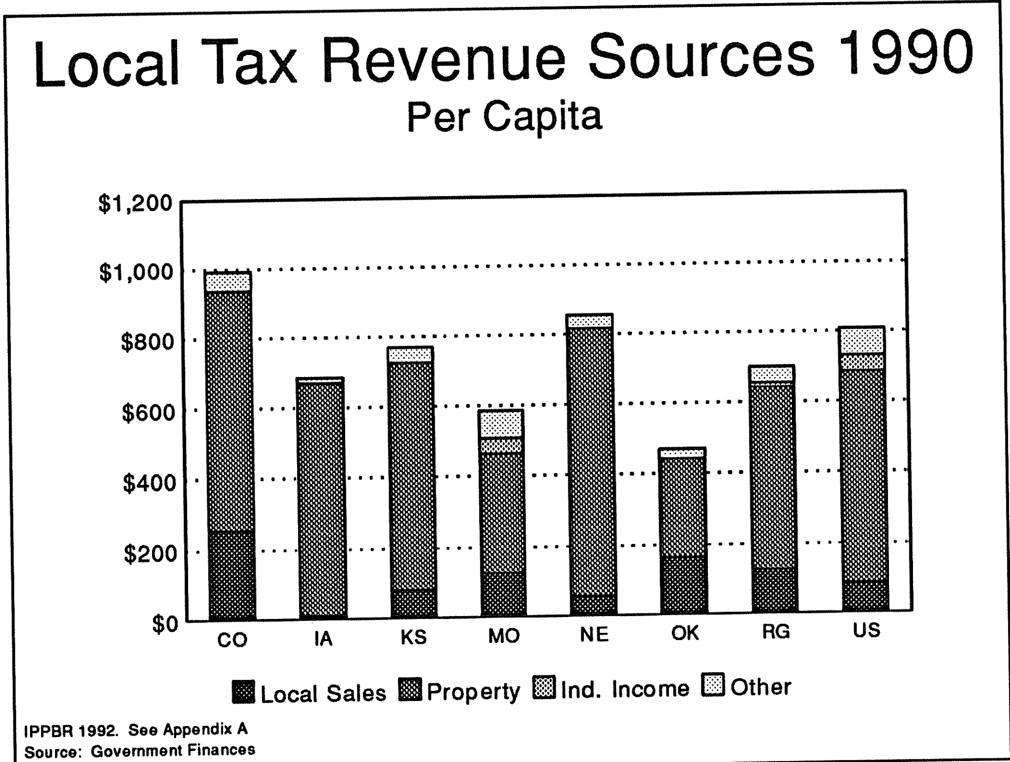

Figure 7

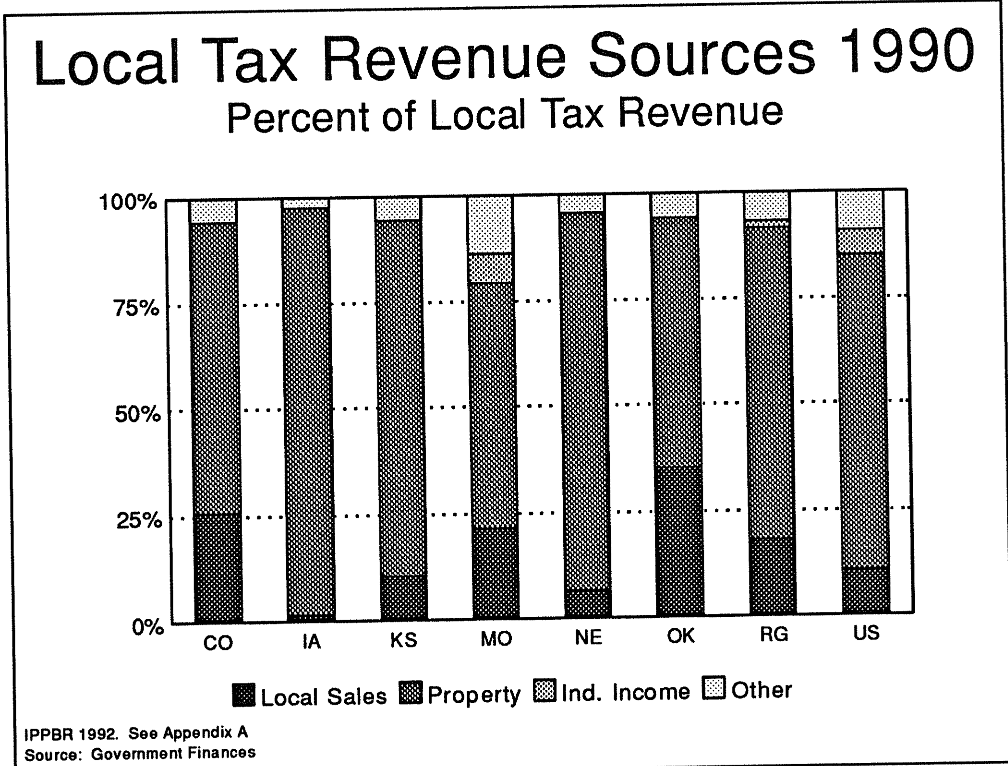

Figure 8

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 level 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.

With regards to the sales tax, another commonly discussed issue is that of tax base erosion. This can be seen as an issue of long run stability. Stated simply, the share of disposable income spent on services is rising in the U.S. Yet, until recently the sales tax was rarely applied to service industries. Hence the tax base for the sales tax failed to keep pace with the growth of the economy. Recently, many states, including Kansas, have considered proposals that would increase the number of services subject to the sales tax. The primary motivation for the Kansas proposals was to raise revenue for property tax relief rather than to prevent tax base erosion. However, the issue of tax base erosion is a serious justification for applying the sales tax to selected consumer services.

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[2]. Reliance on sales taxes at the local level is

[2] Of course mass reappraisal can lead to dramatic changes in assessed values. While reappraisals reflect general market trends, they do not reflect short term fluctuations caused by the business cycle.

likely to introduce an element of instability into local finance systems in two ways. First, local sales tax collections fluctuate to some extent with employment and income; and second, local sales taxes are more difficult to forecast than are property tax collections. Local income taxes 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 of 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 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.

Many states attempt to mollify the regressive aspects of the sales tax. For example, almost all states exempt prescription medicines. Within the region, Colorado, Iowa, and Nebraska also exempt food. Clearly, 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 28.8 percent in Oklahoma to a high of 43.7 percent in Colorado. Tax rates rise progressively with income in all states except Colorado, which has adopted a flat rate of 5 percent. In the states with graduated systems, the rate faced by the highest tax bracket varies from a low of 6.0 percent in Missouri to a high of 9.98 percent in Iowa. In Kansas, the rate currently stands at 7.75 percent for singles in the highest bracket. 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 changes than the personal income tax. Changes in the mid to late 1980s owed their existence primarily to major federal tax changes enacted in the Tax Reform Act (TRA) of 1986. These changes generally took the form of tax reductions. Since that time, income tax rates have moved upward in response to state revenue needs.

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 stimulated state legislatures to revamp income tax structures, both personal and corporate, to avoid the political repercussions of large automatic increases in state revenues.

Individual income tax rate increases threaten to be common during the 1990s. Since January 1, 1990, Oklahoma, Nebraska, and Kansas have already seen rate increases.

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 was believed that 92 percent of taxpayers would choose the system with lower rates [Kansas Department of Revenue, 1989b]. In 1990, tax brackets were adjusted further.

As a part of the 1992 Kansas school finance compromise, additional changes in the Kansas income tax were implemented, with the aim of increasing state generated revenue to help replace local property tax collections. The option for the deduction of the federal income tax was eliminated, and taxpayers were grouped into three tax brackets. Although the marginal tax rates for low income taxpayer were decreased slightly, rates for middle income married taxpayers rose from 5.15 percent to 6.25 percent; rates for middle income single taxpayers rose from 5.95 percent to 7.5 percent.

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 of 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. Since 1987, only minor modifications have been made to the Colorado individual income tax.

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 were decreased substantially, with the lowest rate falling to 0.4 percent and the highest rate falling to 9.98 percent. Tax brackets were structured to adjust annually based on the inflation rate and the state general fund balance. The highest rate currently applies when income reaches $47,700.

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 $47,700. 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 included four progressively higher rates. Initially, rates ranged from 2.0 to 5.9 percent. Rates have been increased twice, and currently range from 2.27 to 6.92 percent. 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 increases in personal tax rates in 1990. As in Iowa, the state offered taxpayers a choice of whether or not to deduct federal taxes. Taxpayers who elected not to deduct federal taxes saw increases in the highest marginal rate and changes in tax brackets. Rates for these taxpayers now range from 0.5 percent to 7 percent (instead of .5 percent to 6 percent) of taxable income. The highest marginal rate comes into effect at a fairly low income level, $21,000 for married taxpayers filing jointly and $9,950 for single taxpayers.

Taxpayers who deduct federal income taxes saw only slight changes in 1990. In 1988, Oklahoma had reduced rates for taxpayers who deduct federal taxes from 17 percent to 10 percent for both married and single filers. 1990 added only a few changes. Single filers now enter the top bracket at $16,000 (instead of at $15,250) while married filers enter the highest tax bracket at $24,000 (instead of at 23,000).

The 1990 changes in the Oklahoma personal income tax were part of a package that also included increases in the corporate income tax and in the sales tax. The package withstood a vote to repeal in October, 1991.

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. At that time, an additional $315 lump sum is also added. 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	Rate	Federal Deduction	Adjusted Rate[1]
Colorado	5% flat rate on taxable income.	No	5%
Iowa	Graduated in 9 stepped increments from 0.4% to 9.98%. Highest bracket effective at $47,000.	Yes	7.19%
Kansas	Graduated with three brackets each for married and single taxpayers. Marginal rates for married filers begin at 3.5% for incomes below $30,000 and end at 6.45% for incomes over $60,000. Rates for single filers begin at 4.4% for incomes below $20,000 and end at 7.75% for incomes over $30,000.	No	6.45% for married.
Missouri	Graduated in 10 stepped increments from 1.5% to 6%. Highest bracket effective at $9000.[2]	Yes	4.32%
Nebraska	Graduated in 4 stepped increments from 2.37% to 6.92%. Highest bracket at $45,000 married, $27,000 single.	No	6.92%
Oklahoma	Choice of two methods. With no federal deductibility, 8 increments graduated from 0.5% to 7%. Top bracket effective at $21,000 for married filers, $9,950 for single. With federal deductibility, graduated from 0.5% to 10%. Top bracket effective at $24,000 for married filers, $16,000 for single filers.	Option	7.2% with deduction. 7% with no deduction.

[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, *State Tax Review*, Commerce Clearing House, Inc., 1992 and *State Tax Guide*, Commerce Clearing House, Inc., 1992.

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 but substantially exceeds the regional average (Figure 9). 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).

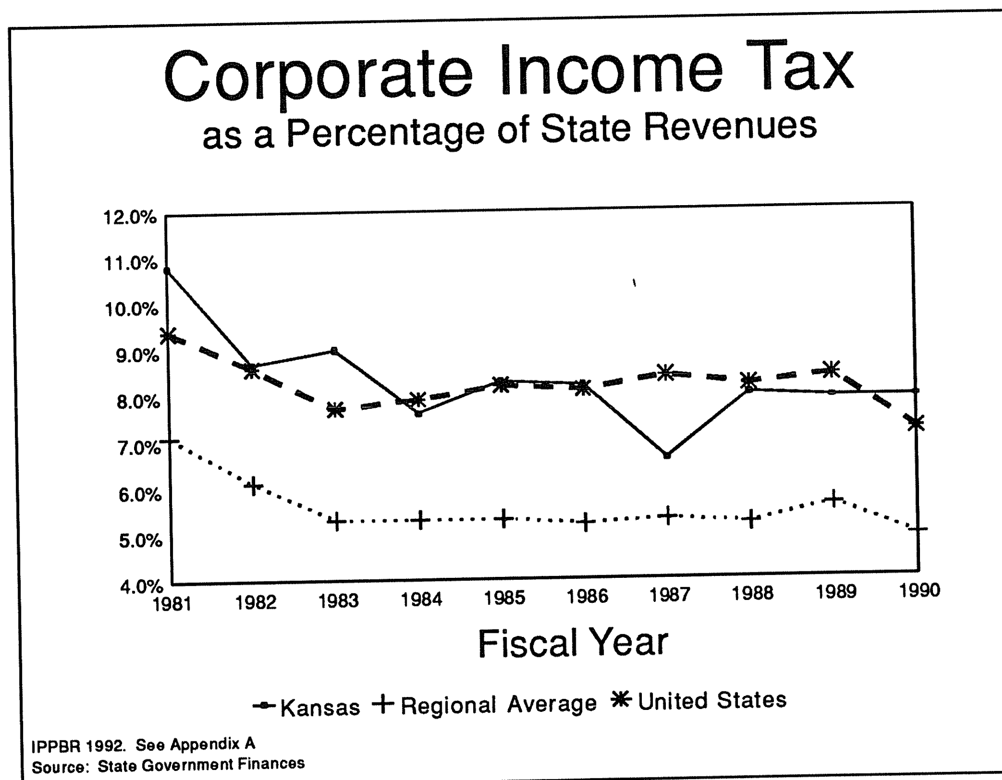

Figure 9

Tax Rates

Tax rates in the region surrounding Kansas average between 5 and 7 percent. On the low end, Kansas taxes the first $50,000 of income at 4.0 percent. On the high end, Iowa taxes incomes over $250,000 at 12 percent. Colorado is in the process of implementing a rate reduction from 6 percent to 5 percent which should be achieved by 1994. Missouri and Oklahoma both have flat rate taxes at 5 and 6 percent, respectively. In 1991, Missouri voters defeated a measure that would have increased corporate income tax rates to 6.5 percent to incomes over $100,000. Nebraska passed legislation in 1990 raising corporate rates from 5.17 percent to 5.58 percent on incomes less than $50,000, and from 7.24 to 7.81 percent on any excess over $50,000. Additionally, a surcharge for 1991 equal to 15 percent of the maximum Nebraska corporate income tax rate was added for taxable incomes over $200,000. In 1992, Kansas decreased its corporate income tax rate from 4.5 to 4 percent while increasing the bracket size to $50,000. Taxable income over $50,000, however, is charged at the higher rate of 7.35 percent as compared to the previous rate of 6.75% which was formerly applicable for income over $25,000.

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.

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

State	Statutory Rates	Marginal Adjusted Rates[1]	Federal Deductibility
Colorado	Beginning in FY 1989: a flat rate of 5% will be phased in, fully effective in 1994.	5.0%	No
Iowa	First $25,000 -- 6% Next $75,000 -- 8% Next $150,000 -- 10% Over $250,000 -- 12%	5.0% 6.6% 8.3% 10.0%	50% of federal income tax is deductible
Kansas	First $50,000 -- 4.0% Over $50,000 -- 7.35%	4.0% 7.35%	No
Missouri	Flat 5%[2]	3.3%	100% of federal income tax is deductible
Nebraska	First $50,000 -- 5.58% Over $50,000 -- 7.81%	5.58% 7.81%	No
Oklahoma	Flat 6%	6.0%	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, *All State Tax Guide*, Prentice Hall, 1988 and *State Tax Review*, Commerce Clearing House, Inc., 1992.

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. Each state remains free to decide its own allocation rules and to choose its own set of definitions of in-state sales. Hence there is no assurance that exactly 100 percent of income will be taxed overall. Provisions known as UDIPTA (uniform division of income for purposes of taxation act) have introduced some uniformity into inter-state taxation. The major provisions of UDIPTA, particularly the three-factor formula discussed below, have been adopted by a majority of states. However, even many of the states that have approved UDIPTA in whole have added variations and definitions that prevent any uniform system of state income taxation.

A key issue in the taxation of multi-state firms is whether a firm is treated as **unitary** or **nonunitary**. Unitary income is subject to allocation by a formula, while nonunitary income is allocated entirely to a specific state. Roughly speaking, a business is treated as unitary if the income in one state is dependent on the activity of the firm in other states. There is no inherent advantage or disadvantage to a firm being treated as unitary: which treatment is more favorable depends on the firm's individual circumstances.

A related issue is the formula used for allocation of income. Nationally, the three-factor UDIPTA formula, based on property, payroll, and sales, 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 under a three-factor formula in the example, gives the fraction of total income taxed by the particular state.

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.

Table 3
Example: Apportionment for a Multi-State Unitary Firm Under 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.

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 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.

Table 4
Allocation Methods for Income of Multi-State Firms

State	Allocation Method
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, an 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 was phased in between 1988 and 1992. 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 *State Tax Guide*, Commerce Clearing House, 1992.

Income Tax Based Economic Development Incentives

Types of 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.

Research and Venture Capital Incentives

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 be carried over

Table 5
Research and Development Tax Credit

State	Description
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 *State Tax Review*, Commerce Clearing House, 1989-1992.

Table 6
Venture Capital Tax Credits

State	Description
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. Replaced in 1990 by 10% credit for investment in qualified seed capital funds.
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, and *State Tax Review*, Commerce Clearing House, 1989-1992.

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 effective July 1, 1989. A credit for investment in seed capital funds replaced the earlier venture capital credit in 1990.

Job and Investment Credits

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 (see Table 7). The amount of credit a firm receives depends directly on the amount of new activity it undertakes in the state. For many 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, Kansas manufacturing job and investment credits, as authorized under the 1992 Enterprise Zone Act, require only that at least two workers are "engaged or maintained in employment as a direct result of the investment[3]" [1992 Session Laws of Kansas, Ch. 280]. Similarly, Colorado and Oklahoma laws make no special distinctions for replacement facilities. In contrast, Missouri imposes additional investment criteria for

---

[3] The 1992 Kansas Enterprise Zone Act requires approval of the Secretary of Revenue in the case of sales tax exemptions for relocating firms.

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.

Enterprise Zone Concepts

In order to understand enterprise zone programs, both as they are implemented in Kansas and in other parts of the U.S., it is a good idea to look back at their conceptual origins. The Enterprise Zone idea originated in Great Britain in the late 1970s. It was conceived of as an experimental attempt to revitalize free enterprise in small depressed areas of the country. Within such zones, taxes and regulations were to be virtually eliminated in order to create an extremely attractive business environment.

The idea caught on quickly in the U.S. Both the Reagan and Bush administrations have pressed for federal Enterprise Zone legislation. While to date such federal legislation has been unsuccessful, a majority of the states (37 to date) have adopted some form of an enterprise zone program. Not surprisingly, programs vary widely across states. And they differ substantially from the prototype programs envisioned in Britain. In particular, the major tools of most programs in the U.S. have been tax breaks, with only moderate regulatory relief, often in the form of simplified building permit procedures.

Some, probably the majority, of states adopting enterprise zone programs have seen them as tools to rehabilitate poor urban neighborhoods. However, some states have extended the idea to rural areas (for example, Kansas and Colorado). All this contrasts with the British approach, where the emphasis has been more on developing decaying industrial zones.

There is one key difference between enterprise zone programs and other economic development programs, both as practiced here and abroad. This is the concept of stimulating development in limited geographic areas, bringing jobs and investment to declining or disadvantaged regions.

Features of State Enterprise Zone Programs

Four states in the region designate special 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 (see Table 8). Corporate income taxes in enter-

prise 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 often 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.

When comparing the credits offered by the states, it is critical to consider the element of time. Missouri extends credits for a ten-year period, magnifying the tax savings due to a single increase in jobs or investment. Kansas previously extended credits for a ten-year period prior to 1992. Under the reconstituted Kansas program, larger credits are extended for a single year only. Oklahoma extends credits over five years, while Colorado credits apply for a single year only.

Colorado

The Colorado program focuses on depressed rural areas. While the number of zones is strictly limited, a single zone may span several counties. Major income tax incentives include a 3 percent investment tax credit, a $500 job credit, a $200 state contribution toward employee health insurance, and a 25 percent credit for expenses to rehabilitate older buildings.

Kansas

Prior to 1992, the Kansas Department of Commerce reported well over 200 enterprise zones. While the purpose of the zones was to "expand and renew the local economy and improve the social and economic welfare of residents in economically distressed zone areas [K.S.A. 12-17,108]," in fact most of the benefits of the program appear to have gone to already prosperous areas of the state [Oslund, 1992].

The 1992 Kansas Enterprise Zone Act actually eliminated enterprise zones in the usual sense. Legislation that provides substantial incentives to new and expanding firms regardless of geographic location now replaces the previous program. Qualified firms may receive a one-time credit of $1000 per each $100,000 investment and $1500 per each new job. Additionally, the

Act provides for the establishment of *nonmetropolitan regions* in which firms are eligible for enhanced job credits of $2500.

Missouri

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.

Oklahoma

Oklahoma doubles its standard job and investment credits within city and county enterprise zones. Manufacturing and processing companies qualify for five year credit of $1000 per year per new employee or 2 percent of the cost of new depreciable property.

Prevalence of Tax Incentives

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 repealed its credits, although Kansas has recently (1992) completely reformulated its enterprise zone plan. Most states in the region have initiated or expanded their programs within the past five or six 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 $5,000, 25% of amount over $5,000. Excess credits may be carried forward up to 3 years and backward 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 1992, the credit will equal $768 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	1992 legislation: $1500 per new job, $1000 per $100,000 new investment.	50% of tax liability. One time credit. The credit can be carried over until used provided employment remains at its increased level.	Manufacturing businesses must create at least 2 jobs. Nonmanufacturing must create at least 5 new jobs. Retail does not qualify under 1992 act. Retail continues to qualify under prior legislation.
	Pre-1992: $100 per new job, $100 per $100,000 new investment.	50% of tax liability, each year for 10 years.	
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 with no job requirement. Replacement facilities must create 2 jobs and invest $1 million. Office tenants must invest $100,000 and create 25 jobs by the fifth year in which the credit is taken.
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 *State Tax Review*, Commerce Clearing House, 1990-1992.

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.	100% of liability up to $5,000 plus 25% of tax liability above $5,000. Excess may be carried forward 3 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	1992 Legislation: In designated nonmetro regions, $2500/new job and $1000/$100,000 investment.	50% of tax liability. One time credit. The credit can be carried over until used provided employment remains at its increased level.	Business must operate in qualified nonmetro area. Manufacturing firms must add at least 2 new jobs, nonmanufacturing firms at least 5 jobs. Retail does not qualify.
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: $400 for each 12 month period new business facility employee is resident of enterprise zone.	Continues throughout 10 year period.	Employee must be zone resident.
	Special employee credit: $400 for each 12 month period new business facility employee meets special "hard to employ" 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 "hard to employ" employee trained with company funds.	One-time credit.	Employee must be zone resident or difficult to employ.
Nebraska	No Enterprise Zones.		
Oklahoma	Tax credit of 2% of investment in depreciable property, or $1000 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 *State Tax Review*, Commerce Clearing House, 1990-1992.

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 58 percent of local tax revenues in Missouri, to 96 percent in Iowa. Kansas local governments raise over 83 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 10, per capita property taxes have remained above the regional and U.S. averages. Kansas figures for 1990 estimate per capita taxation at $645. Recent changes in the Kansas tax structure shift revenue sources towards income and sales taxes, and away from the property tax. This should lead to lower Kansas property taxes for 1992 and later years.

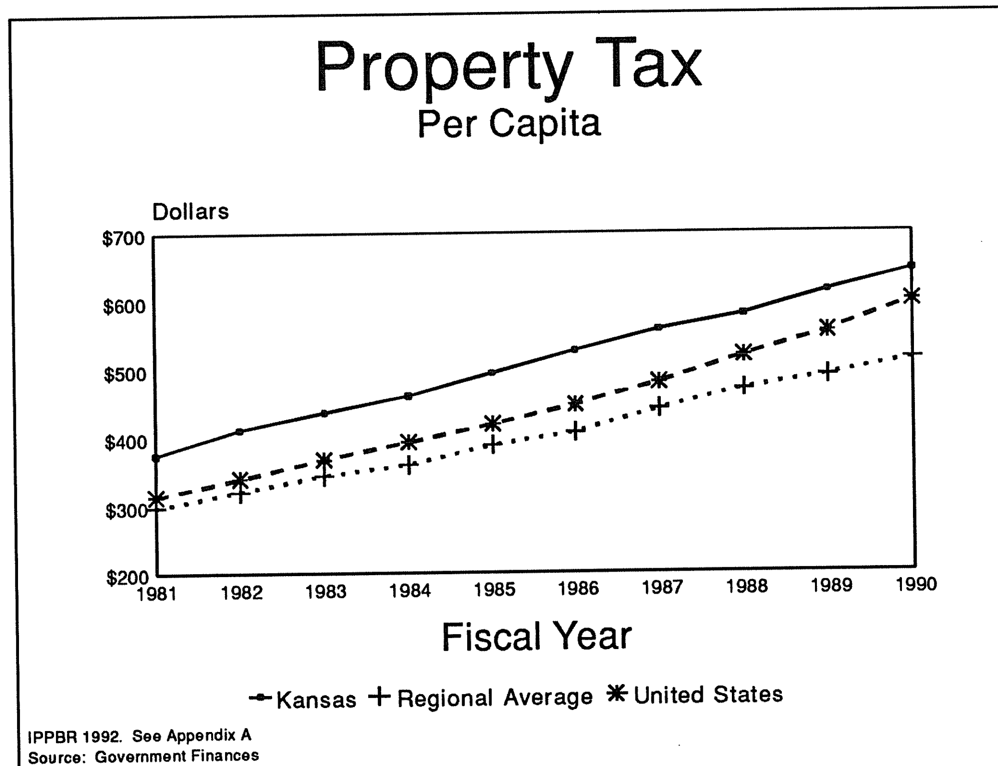

Figure 10

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.

Property Tax Controversies

Kansas

No area of taxation causes more controversy than the property tax. Almost any property tax change creates large vocal groups of winners and losers. At their worst, property tax changes pit homeowners against businesses, business interests against farm interests, and geographic areas of a state against each other. Kansas has gone through two major rounds of property tax revisions in recent years, and the surrounding debates have included many of the above elements.

The first round of Kansas property tax revisions stemmed from deficiencies in property tax appraisals. Ideally, property appraisals should reflect true market values. In practice, the divergence can be dramatic, particularly when reappraisals are few and far between. Prior to 1989, Kansas 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 nonuniform 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 now pay an increased share of Kansas property tax revenues. The dislocations caused by this tax shifting helped to drive the movement for property tax reductions, which culminated in the 1992 school finance legislation.

The second round of Kansas property tax revisions resulted in the state taking over a large percentage of the responsibility for school finance. Under current law, taxes in most school districts are reduced. However, those districts with a large property tax base per pupil will

actually see tax increases. Counties in the southwest corner of the state, rich in natural gas resources, have even threatened secession!

Colorado

A controversy over appraisals arose in Colorado in the late 1980s. 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.

Nebraska

Nebraska is the latest of the states in the region to experience a property tax crisis. The crisis stemmed from several court cases in the late 1980s and early 1990s[1]. The history of the Nebraska property tax crisis can be traced back to a federal law, the Railroad Revitalization and Regulatory Reform Act, which bans discriminatory taxation of railroads. Since Nebraska exempted large amounts of personal property from taxation, the federal courts prohibited Nebraska from discriminating against railroads by taxing their personal property. (Trailer Train Co. v. Leuenberger, 1988). This started a chain reaction as gas pipeline companies claimed that their personal property should also be exempted, under uniform taxation and equal protection provisions of the Nebraska Constitution. By 1989, nearly all pipeline and telephone companies were granted complete exemptions. Owners of other types of taxed personal property also started to demand exemption. As an emergency measure, new legislation exempting *all* personal property went into effect in June, 1991. To make up for lost revenues, the legislation imposed an income tax surcharge for taxpayers claiming depreciation allowances on their corporate or personal tax returns.

---

[1] For a discussion of the Nebraska tax crisis, see *Omaha World Herald*, April 29, 1992 and May 3, 1992.

The 1992 Nebraska Legislature proposed a constitutional amendment to give the Legislature the ability to decide what personal property should be taxed. Nebraska voters approved the tax by a 60 percent majority in May, 1992. As a consequence, property taxation is now governed by rules that 1) tax farm machinery; 2) exempt inventories; and 3) assess business machinery on the basis of its book value minus depreciation rather than on its market value.

Comparing Property Taxes Across States

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 state average mill rates, calculated as total tax collections divided by total assessed valuation. However it is important to remember that comparisons of mill rates across states are not meaningful without further information.

Statutory assessment ratios define the percentage of a property's appraised value which is entered on the tax rolls. Three states in the region apply different assessment ratios to different classes 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 are 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 subject to taxation. 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.

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 firm conclusions about Kansas property taxes should be considered tentative at this time, since the impact of the 1992 changes can only be estimated at this time. However, the effects of the earlier reappraisal and classification on the Kansas economy can now be evaluated. The tax burden has clearly shifted onto commercial and industrial real estate. While about 13.5 percent of property taxes were paid by these categories in 1988, the share had risen to over 25 percent by 1991.[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 1992 school finance legislation has lowered property tax rates in most areas and brought them more in line with the rest of the region. However, the rate for commercial real estate remains unusually high by regional standards.

---

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

Table 9
Property Tax Rates and Ratios

State	Average Mill Rates[1]	Statutory Assessment Ratios	Average Actual Assessment Ratios[2]	Effective Tax Rates (%)[3]
Colorado (1991)	State: 82.79 Metro: 87.74 Nonmetro: 69.18	14.34% residential. 29% commercial, industrial. 29% machinery and equip. Inventories exempt.	Real estate assessments based on 1990 values. 14.34% commercial, 29% all other.	1.19% residential. 2.40% commercial, indust. 2.40% mach., equip.
Iowa (1991)	State: 28.8 Metro: 33.7 Nonmetro: 25.7	100% all real estate. 30% of acquisition cost for indust mach. and equip. All other including inventories exempt.	73.06% residential. State sets adjustment factor based on legal limits for property value increases. 100% all other.	2.10% residential. 2.88% commercial, indust. .86% industrial mach.
Kansas (1991)	State: 125.26 Metro: 137.62 Nonmetro: 113.63	12% residential. 30% commercial, indust. 20% machinery, equip. Inventories exempt.	11.9% residential. 29.8% commercial, industrial. 20% machinery, equipment.	1.49% residential 3.73% commercial, indust. 2.50% mach., equip.
Kansas (1992 est.)	State: 105.2 Metro: 113.2 Nonmetro: 97.5			1.26% residential. 3.14% commercial, indust. 2.10% mach., equip.
Missouri (1991)	State: 50.08 Metro: 55.18 Nonmetro: 36.43 Surcharge: 10.90[4]	19% residential 32% commercial, industrial 33 1/3% machinery, equip. Inventories exempt.	18.5% residential. 30.11% commercial, industrial. 33 1/3% machinery, equipment.	.93% residential. 1.95% commercial,indust. 1.67% mach., equip.
Nebraska (1990)	State: 23.10 Metro: 26.66 Nonmetro: 20.07	100% all classes. Inventories exempt.	90.79% residential. 91.54% commercial, industrial. 100% machinery, equipment.	2.10% residential. 2.11% commercial, indust. 2.31% mach., equip.
Oklahoma (1990)	State: 85.03 Metro: 95.15 Nonmetro: 71.41	9% to 15%, chosen locally. Inventories taxed.	Statewide averages are 11.06% residential, 10.98% commercial and industrial.	.94% residential. .93% commercial, ind. .93% all other.

[1] Average is calculated as total property tax collections divided by total assessed valuation.

[2] Calculated as [statutory ratio] x [statewide market value to appraised value ratio]. Ratio of appraised to market value for machinery is assumed to be 1.

[3] Calculated as [state mill rate] x [actual assessment ratio]. Converted to %.

[4] The surtax applies to commercial and industrial real estate.

SOURCES: Raw data from state departments of revenue. Calculations and estimates by IPPBR.

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 and

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

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.

As a consequence of the 1992 Kansas school finance plan, the cost of granting abatements has gone down from the point of view of Kansas local communities. Part of the local revenue lost due to abatements is made up by a transfer of state funds for education. It is reasonable to expect that communities in the state will increase their use of abatements. Whether the state should allow the school portion of property taxes to be abated is an issue that will probably confront the 1993 legislature.

Table 10
Property Tax Abatements

State	Extent of Tax Abatement	Eligibility Requirements
Colorado	Local option for property tax "incentive" payment in enterprise zones. Limited to increase in value of property due to new or expanding business. Abatements rarely used. Limited to 50% of taxes on personal property only for up to 4 years.	Must be a qualified new or expanding business facility located in 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 for 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 4,000 in Jackson and St. Louis counties, 2,500 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, and other personal property used directly in the manufacturing process. Also: machinery and equipment used in oil and gas production are exempt.	Limited to manufacturing, research and development, and those computer service and data processing facilities that obtain at least 80% of their revenue from out of state. Applies to new and expanding firms. Exemption for equipment applies only if such equipment 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. The mid-1980s saw a sharp upward turn in the combined share of state and local sales taxes, both in Kansas and in the region. Since that time, the share of taxes contributed by the sales tax has leveled out at about 26 percent regionally. Within the past decade years, all of the states in the region have legislated increased sales tax rates, either on a permanent or a temporary basis. Local tax rates have experienced a similar upward trend.

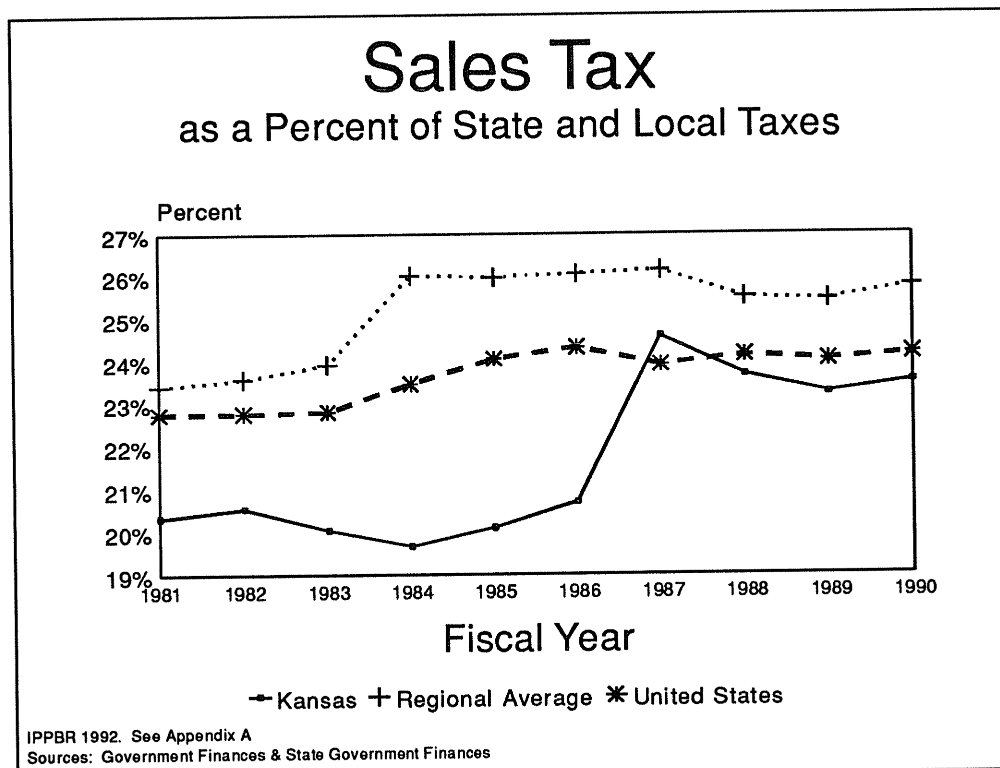

Figure 11

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 5 percent in Nebraska. Kansas increased its rate in 1992; a similar measure was overturned by a veto in Iowa. 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 2.5 percent, while in Kansas City, Kansas, taxes reach the state allowed maximum of 2 percent.

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 5%.
Iowa	4%.	May be levied up to 1%; also local option hotel/motel tax may be levied, not to exceed 7%.
Kansas	4.9%.	May be levied up to 1% county, 1% city for general use. Additional 1% county or city many be used for health care services.
Missouri	4.225%.	May be levied, city and county may not exceed 2% each.
Nebraska	5%.	May be levied at 1-1.5%.
Oklahoma	4.5%.	May be levied, not to exceed 2%.

Source: Information from individual state departments of revenue and *State Tax Review*, Commerce Clearing House, Inc., 1992.

Sales Tax Base and Exemptions

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, Colorado, Iowa, and Nebraska exempt groceries, and all exempt prescription medications. States also include selected consumer 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. Measures that would have extended the sales tax to many categories of personal and business services in Kansas were in large measure defeated by the 1992 Legislature.

Sales taxes affect investment when states levy taxes on the purchase of machinery, equipment, tools, construction materials and construction 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. Kansas recently added a 2.5 percent tax on services used in construction.

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. The Kansas Enterprise Zone Act, as amended in 1992, extends the largest sales tax exemptions on investment in the area. Exemptions apply to most new and expanding manufacturing and service industries. Retail is

included in special cases. The exemptions cover machinery, building materials and services, and all other property used in constructing or enlarging a business facility. Neither the Kansas exemptions 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, business services, 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 only a portion of the oil becomes an ingredient in 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. Nebraska adds irrigation and farming to the list of exempt uses, and allows the exemption if more than 50 percent is for direct use. Missouri exempts natural gas entirely, and electricity if it exceeds 10 percent of total production costs. Kansas imposes a tax of 2.5 percent (in contrast to the normal 4.9 percent) on energy used in manufacturing and processing.

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 as significant cost saving.

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, maintenance.	***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; telephone; hotel and motel rooms. ***Businesses***: computer software; installations, electricity, gas water, heat, unless consumed directly in production; repairs, telecom.	***Consumers***: drugs, when prescribed; sales of gas, electricity, and heat to residential customers. ***Businesses***: sales for resale; sales of used farm machinery; all sales of tangible personal property or services used in constructing or enlarging a new or expanding qualified business facility; component parts of manufactured or produced goods or services; goods consumed in the production of tangible personal property or services; all sales of machinery and equipment used directly in manufacturing, processing, or storing goods. Gas, electricity, water, and construction services taxed at 2.5%.
Missouri	Sales of tangible personal property at retail.	***Consumers***: basic telephone. ***Businesses***: electricity, water, and gas unless otherwise exempted; basic telephone.	***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.	***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 (exemption removed for period 10-91 to 9-92); 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, *State Tax Guide*, Commerce Clearing House, 1992, and *State Tax Review*, Commerce Clearing House, 1990-1992.

Table 13
Sales Tax Exemptions for Machinery, Equipment, and Construction Purchased by Private Firms

State	Machinery and Equipment Exemptions	Construction Exemptions
Colorado	Machinery or machine tools used directly in manufacturing are exempt. In enterprise zones, goods used to build machinery and machinery used to repair aircraft also qualify.	Construction labor is not taxable. Materials are taxable.
Iowa	Exemptions apply to industrial machinery, equipment, and computers, including replacement parts, when used in processing; R&D; manufacturing; data processing by insurance financial, or commercial firms; or in recycling. Design and installation of new ind. machinery or equipment are exempt.	Construction labor is not taxable. Materials are taxable.
Kansas	*New and expanding firms*: New or expanding manufacturing businesses that add at least 2 new jobs qualify for exemptions on all property and services used in constructing, expanding, or remodeling the facility. Nonmanufacturing firms other than retail qualify for the above if they add 5 jobs. Retail firms qualify if they add 2 jobs and locate or expand in a city of population of 2,500 or less. *Other*: Sales of machinery and equipment used directly and primarily for manufacturing, assembling, processing, finishing, warehousing, or distributing goods within a plant are exempt when the final products are intended for resale.	Materials and services used in construction are exempt for qualified new or expanding businesses. For other construction, materials are taxed, and labor is taxed at the rate of 2.5%.
Missouri	*New and expanding firms*: Machinery and equipment used directly in production are exempt when used to establish or expand manufacturing, mining, or fabricating plants. Replacement equipment may qualify if replacement is necessitated by design or product changes rather than by obsolescence.	Construction labor is not taxable. Materials are taxable.
Nebraska	*New and Expanding Firms*: Qualified business facilities with at least $20 million new investment or $3 million new 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.	Construction labor is not taxable. Materials are taxable. Materials may qualify for a refund if purchased as part of investment of a new or expanding firm with the requisite investment and employment.
Oklahoma	*New and expanding firms*: An exemption applies for property sold to a manufacturer for use in a new or expanded manufacturing facility. The manufacturer must invest $5 million and add 100 new employees, or invest $50 million and add 75 new employees. *Other*: Machinery used directly in the manufacturing process is exempt.	Labor is not taxed. Materials are generally taxable. However, construction materials are exempt for qualified new and expanding firms with the requisite amount of investment and jobs.

SOURCES: State departments of revenue, and *State Tax Guide*, Commerce Clearing House, 1990-1992

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 these 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 larger. Although the federal government establishes broad regulations, the details of the system are state specific. Federal regulations exist to ensure 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. In particular, each state has a wage limit, referred to as the taxable wage base, beyond which unemployment taxes are no longer collected.

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 its previous employees have drawn. Firms with positive balances are charged relatively low rates in comparison with firms with negative balances. New firms with no experience are charged a "new employers" rate, which, in most states, depends on the industry in which the firms operates.

Table 14 provides a comparison of state unemployment insurance systems. The most important indicator is the average rate per $100 payroll. This measures the average insurance cost. 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. Three major factors affect the overall level of unemployment insurance rates in a state: first, the average benefit paid to an unemployed worker; second, the duration of the payment; and third, 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.

The two other indicators in Table 14 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. By this criterion, all of the states in the region place well below 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 almost $500 per worker, Kansas well exceeds the national average. With a modest average level of withdrawals and a healthy trust fund balance, Kansas rates are likely to be stable or declining.

Table 14
Unemployment Insurance Benefits and Net Worth, 1991

	Average Benefit Per Worker[1]	UI Fund Net Worth[2]	Average Rate Per $100 Payroll
Colorado	$102	$197	$ .60
Iowa	137	458	.80
Kansas	158	497	.90
Missouri	152	90	.50
Nebraska	55	198	.40
Oklahoma	101	353	.50
National Av.	243	300	.70

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.

SOURCES: U.S. Department of Labor, computer printout.

Worker Compensation

Worker compensation laws provide benefits to injured workers or to families in the case of a worker's death. States require that firms buy insurance to provide compensation payments. For the six states 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 regulations, 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 15 makes some broad comparisons of worker compensation systems. The average payment 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 premium 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 16 compares rates for specific industries. For most industries. It is clear that rates vary widely from state to state.

Concern over worker compensation rate increases has been prevalent in Kansas and Missouri lately [*KC Business Journal*, 3-6-92]. Rates in Kansas rose an average of 24 percent in 1991, the largest increase ever. Missouri now faces a rate hike proposal of over 15 percent. Legislation to limit rate hikes is being discussed in both states.

Table 15
Worker Compensation Payments and Premiums (1988)

State	Average Payment Per Case	Average Premium Per $100 Payroll
Colorado	$12,472	$5.88
Iowa	12,554	2.62
Kansas	8,670	2.79
Missouri	6,065	2.94
Nebraska	8,333	2.44
Oklahoma	7,131	4.35
National Average	11,347	3.92

SOURCE: *11th Annual Grant Thornton Manufacturing Climates Study* (1990).

Table 16
Worker Compensation Rates per $100 Payroll (1992)

	IA	KS	MO	NE	OK
Meat Products	13.96	9.50	13.68	6.75	17.96
Electronics	4.22	2.88	3.96	2.66	6.15
Plastics	6.11	8.80	6.88	3.62	10.19
Data Processing	.30	.45	.37	.29	.63

SOURCE: National Council on Compensation Insurance.
Colorado data not available.

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 revised their income taxes in order to avoid "windfall" tax increases. At the same time, many states used the opportunity to overhaul and simplify their personal income tax rates and brackets. Kansas moved from a system with eight marginal rates to a system with two in 1988, and has recently moved to a three bracket system.

Corporate taxes have also undergone reform. Colorado lowered the corporate tax rate to a flat rate of 5 percent in 1987. 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.

Corporate rate increases have been used as a revenue raising measure throughout the region. In 1989, Missouri instituted a temporary increase in the corporate rate for high income firms. An effort to make the measures permanent was defeated by voters in 1991. In 1990 and 1991, Nebraska increased corporate rates.

Property taxes have also seen many changes. Major property tax reappraisals were completed in Kansas and Colorado during the late 1980s. Kansas moved to a system of property classifications, each class subject to a different assessment ratio. This move increased the property tax burden on commercial real estate. Later, Kansas introduced school finance measures that significantly reduced property tax rates in most areas of the state. In Nebraska, a property tax crisis stemming from discrepancies between actual tax practices and the "uniform and equal" provisions of the Nebraska Constitution lead to a one year suspension of taxes on all personal property. The crisis appears to have been resolved by the passage of a Constitutional amendment that allows the legislature more discretion in deciding what property should be taxed.

Sales tax rate increases have been common throughout the region. Kansas increased rates in 1989, and again in 1992. Missouri increased rates on a temporary basis in 1989. Nebraska and Oklahoma instituted rate changes in 1990.

Several states have introduced or reformulated economic development incentives. Nebraska legislated major job and investment credits in 1988. Iowa initiated seed capital credits in 1990. Kansas completely overhauled its enterprise zone program in 1992, essentially eliminating enterprise zones in the traditional sense. In place of enterprise zones, the legislation offers substantial job and investment credits throughout the state, sales tax exemptions for new and expanding firms, and expanded credits in qualified nonmetropolitan areas.

Table 17
Major Tax Revisions Since 1987

State	Personal Income	Corporate Income	Property	Sales
Colorado	1987: graduated income tax rate schedule replaced with a flat 5% applied to federal taxable income.	1987: statewide investment credit, enterprise zone investment credit, and new business facility tax credits established. 1987-1993: gradual reduction of rates from 6% to 5% for high income firms. 1989: established income tax credit for research and development.	1987: first statewide reappraisal in 10 years. 1989: new appraisals. 1990: cities, counties and school districts may negotiate property tax incentive payments for new or expanded businesses.	Effective 1988: machinery and machine tool purchases in excess of $1000 exempt from sales tax.
Iowa	1988: lowest marginal rate reduced 0.5% to 0.4% and the highest rate reduced from 13% to 9.98%.	1989: repealed credits for venture capital fund investments. 1990: 10% credit for investment in qualified seed capital fund initiated.		1987: Exemption for industrial machinery and computers. 1992: 12 services added to sales tax base. Tax on consulting later repealed. 1992: measure to increase sales tax rate vetoed.
Kansas	1988: system of eight tax bracket rates replaced with a simple two rate system. Kansas standard deductions increased, deduction for federal taxes eliminated. 1989: basic rates reduced. Taxpayers given the option of federal deductibility. 1992: three bracket system introduced, federal deductibility eliminated.	1987: established credits for contributions to local seed capital funds. 1989: repealed alternative minimum tax established in 1988. 1989: alternative allocation method based on property and sales allowed. 1992: Rates increased for incomes over $50,000, reduced for lower incomes.	1989: valuations based on first statewide appraisal in 20 years are established. 1989: different property classes assessed at different percentages. 1989: inventories removed from property tax base. 1992: school finance plan reduced rates in most areas.	1989: rate increased from 4.0% to 4.25%. 1989: sales tax on manufacturing machinery removed. 1992: rate increased to 4.9%. 1992: some exemptions eliminated, and electricity, gas water, construction services for industrial use taxed at 2.5%.

Table 17 cont.

State	Personal Income	Corporate Income	Property	Sales
Missouri	No major revisions during 1980s. 1987: under a federal court order, surcharge of 1.5% was added to tax on income earned within the KC school district. Later overruled.	1989: instituted a temporary tax increase from 5 to 6.5% for high income firms. 1991: measure to make tax increase permanent defeated.		1989: temporary state sales tax increase from 4.125% to 4.425%. 1992: rate is 4.225%
Nebraska	1987: implemented system based on federal adjusted gross income with four rates ranging 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 and 1991: rates increased. Total increase 90-91 is 17.5%. 1991: one year surcharge of 15% for incomes over $200,000. 1991: one year surcharge of 2% of depreciable property.	1990: statewide equalization. 1988-1990: court cases successfully challenged property tax system. 1991: one year suspension of taxes on personal property, with lost revenue made up by state. 1992: constitutional amendment giving legislature authority to decide what types of property should be taxed. 1992: property tax legislation taxing personal property on the basis of net book value.	1987: sales tax refunds for new establishments with over $20 million investment, or $3 million and 30 new jobs. 1990: rate increase from 4% to 5%.
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. 1990: rate for highest bracket increased form 6% to 7%.	1987: job credit of $500 per employee as alternative to investment credit. Previous credits were based on investment only. 1990: corporate rate increased from 5% to 6%.	1990: enabling legislation to allow cities, counties, and towns more ability to grant incentives for reinvestment and historic preservation.	1990: rate increased from 4% to 4.5%

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

CONCLUSIONS: PART 1

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.

PART 2: RESULTS FROM A SIMULATION MODEL OF BUSINESS COSTS AND TAXES

HOW DO STATE AND LOCAL TAXES AFFECT BUSINESSES?

Throughout the 1980s, state and local governments played an increasingly active role in trying to attract and retain jobs. Their efforts were particularly intense in areas which experienced declines in traditional manufacturing and extractive industries due to changes in global competitive conditions. Tax policy was a major focus of the attempt to stimulate a healthy economy both nationally and in the states. At the national level, reforms during the mid-1980s lowered marginal tax rates for corporations. Several states followed with their own rate reductions, including Colorado, which lowered the corporate tax rate for upper income brackets. However, much of the push for state tax reform during the 1980s was directed toward the use of special tax credits and abatements. Tax incentives, along with other inducements such as industrial revenue bond financing, dominated much of the state and local involvement in efforts to encourage business growth.

State and local governments have spent considerable time and money developing and implementing both general tax reforms and specific tax incentive programs. Ironically, there is considerable debate about whether the general level of state and local taxation, or any of the specific abatement programs, influence job and investment growth. The issue has been examined numerous times and in numerous ways.[4] A recent survey of IRDC members found that

[4] Four good surveys of the literature include Joseph L. Bast, John H. Beck, Robert J. Genetski, Richard C. Rue, and John W. Skorburg, *Coming Out of the Ice: A Plan to Make the 1990s Illinois' Decade* (Chicago: Heartland Institute, 1989); Roger Wilson, *State Business Incentives and Economic Growth: Are They Effective? A Review of the Literature, Economic Development in the States*, vol. 1 (Lexington, Kentucky: Council of State Governments, 1989); Robert J. Newman and Dennis H. Sullivan, "Econometric Analysis of Business Tax Impacts on Industrial Location: What Do We Know, and How Do We Know It?" *Journal of Urban Economics*, 15, (1988), 215-235; and H. Brinton Milward and Heidi Hosbach Newman, "State Incentive Packages and the Industrial Location Decision," *Economic Development Quarterly*, 3, No. 3, (Sage Publications, August 1989) 203-222.

incentives are important in the final location analysis but not in the initial site selection.[5] When the search comes down to a few locations of equal merit, the location with the best incentives is chosen. Blair and Premus suggest that choosing a location for a new establishment is really a two stage process, with the firm choosing a general region for investment in the first stage and a specific site in the second stage.[6] Taxes and incentives may become important at the second stage for firms which have already decided to locate in a particular region. Brandon also reports that incentives are more important for firms looking for new site locations rather than for firms undergoing expansion.[7]

Studies examining the impact a state's general tax structure have arrived at mixed and often contradictory conclusions. Recently a consensus seems to be emerging that increases in overall state tax effort negatively affect state income growth.[8] However, the question of whether it is business taxes or personal taxes that most affect growth is still unsettled.

Like studies examining general taxes, studies of the effect of specific incentives also have failed to resolve the question of whether the programs stimulate growth. For example, Steinnes[9] finds no evidence that industrial bond finance incentives increase the number of jobs in manufacturing or services; in contrast, Papke[10] discovers that subsidized bond financing positively affects the number of new firms locating in a state. Papke also finds that tax incentives influence firm location through their effect on the after-tax rate of return of a new investment.

---

[5] David V. Brandon, "The Role of Incentives in Corporate Facility Planning," *Corporate Management*, 159, no. 1,(January/February 1990), 15-18.

[6] John P. Blair and Robert Premus, "Major Factors in Industrial Location: A Review," *Economic Development Quarterly*, 1, No.1 (1987), 72-85.

[7] Brandon, *Corporate Management*, pp. 15-18.

[8] Bast, *Coming Out of the Ice*, p. 20.

[9] Donald Steinnes, "Business Climate, Tax Incentives, and Regional Economic Development," *Growth and Change*, 15, no.2 (1984), 38-47.

[10] Leslie E. Papke, *The Influence of Interstate Tax Differentials on the Birth of New Firms: Estimates of a Poisson Process*, Center for Tax Policy Studies Paper no. 9 (West Lafayette, Indiana: Purdue University, November 1986).

An emerging issue in the discussion of taxes and growth is the question of accountability. The public relations cost to a firm if the revenues achieved by the community do not justify the incentives used to lure the firms has been well noted[11].

In summary, the academic literature has offered policy makers little clear guidance about the proper role of taxation in state economic development strategies. If, as Papke argues, both corporate tax rates and incentives influence firm locations, then state and local governments must be extremely concerned that they create a competitive tax environment; alternatively, if personal taxes are more responsible for economic growth than corporate taxes or incentives, the emphasis on incentive packages may be ineffective, and, in fact, wasteful. However, a number of studies indicate that incentives, while not particularly effective in influencing initial firm location may be an important factor in deciding the final site location once the general area has been identified.

---

[11] Brandon, *Corporate Management*, p. 17-18.

SIMULATION MODEL GOALS, ASSUMPTIONS, AND DATA

In parallel to the academic debate about the role of taxes in business decisions runs a "real world" policy debate in legislatures throughout the region. Legislators must try to balance the needs of households, in-state businesses, and businesses that might potentially be attracted to the state. The 1992 Kansas legislature faced a particularly difficult task, in that changes in the method of school finance, while reducing property taxes overall, actually increased taxes in some areas of the state.

At the request of the 1992 legislature, IPPBR employed a tax simulation model developed with the sponsorship of Kansas Inc. in order to estimate the impacts of several alternative proposals for changes in the Kansas tax structure. Since the end of the 1992 session, IPPBR has updated the model and used it in order to produce two sets of comparisons: first, comparisons of Kansas taxes with those in surrounding states; and second, comparisons of the impact of tax changes on selected industries in various locations in the state.

Overview of Tax Simulation Model

The IPPBR Tax Simulation model provides a flexible method for comparing taxes and costs across states. Although the model cannot answer the question of how strongly taxes influence firm location decisions, it does develop a framework in which the question can be posed. The model produces estimates of key variables affecting a firm's location decision: the amount of the firm's federal, state, and local taxes, the cost of the firm's inputs, and the costs of assets such as land and buildings.

The model was developed to include the following capacities:

1. estimation of the business costs and taxes of a typical firm in each of several industries.
2. estimation of costs and taxes for a variety of locations, including metro and nonmetro areas.
3. analysis of the impact of tax changes on Kansas businesses, broken down by cities and industries.
4. estimation of the value of business tax incentives to new firms.

5. comparison of the magnitude of interstate tax differences with interstate differences in basic costs such as land and labor.

Results of the first three types of simulations are included in this report.

Industries Examined by the Simulation Model

The model currently includes 13 industries, selected as a representative of Kansas current and prospective economic activity. The list in Table 18 includes agricultural based industries such as meat products, traditional heavy industry such as construction machinery manufacturing, high technology manufacturing such as pharmaceutical products, and service industries such as research and development and data processing.

Table 18
Industries Selected for the Study

Industries	SIC Code
Manufacturing	
Meat Products	201
Grain Mill Products	204
Misc. Converted Paper Products	267
Commercial Printing	275
Pharmaceutical and Biological Products	283
Misc. Plastic Products	307
Fabricated Structural Metal Products	344
Construction and Related Machinery Mfg.	353
Electronic Components and Accessories	367
Motor Vehicles and Equipment Mfg.	371
Non-Manufacturing	
Wholesale Trade: Durable Goods	508
Computer and Data Processing Services	737
Research, Development, and Testing	873

Industries selected jointly by Kansas Inc. and IPPBR.

Model Assumptions

The basic structure of the IPPBR tax model is fairly simple. The model begins with the concept of a *typical firm* in each of a number of industries. A profile is developed for each firm,

listing sales, costs, and assets. The profile is developed from published data taken from a number of sources. Once the firm profile is in place, the model proceeds to calculate the federal, state, and local taxes that the typical firm would incur.

Business tax incentives can dramatically alter the tax situation faced by individual firms. For this reason, our model currently considers two types of firms; new firms that are assumed to be eligible for business tax incentives, and established or mature firms that are assumed **not** to qualify for incentives. Expanding firms, while not explicitly included in the model, can be thought of as an intermediate case between the new and the established firms.

The model makes slightly different assumptions for each type of firm, which are listed below:

New Firm Assumptions

1. Firms in each industry are assumed to hire 100 full-time employees.
2. Firms are export-oriented, selling 90 percent of their product outside the state.
3. Firms receive a full property tax abatement for 10 years. This applies only to firms in industries that qualify for abatements, basically manufacturing and distribution.
4. Firms purchase a new structure and new machinery and equipment.
5. Firms qualify for job and investment tax credits. Firms in nonmetro areas are assumed to qualify for job credits at the enhanced level of $2500 per employee.
6. All simulations are annual averages over a **20 year** period. This means that the simulations include part of the time period during which tax abatements have expired.
7. The model incorporates what is known as the *federal offset*. Reductions in state and local taxes generally increase federal taxable income, and hence the federal income tax.

Established Firm Assumptions

1. Firms in each industry are assumed to hire 100 full-time employees.
2. Firms are export-oriented, selling 90 percent of their product outside the state.
3. Firms receive no property tax abatement.
4. Firms operate from buildings that were purchased previous to the period under analysis. They replace some of their machinery and equipment each year.
5. Firms do not qualify for job and investment tax credits.

6. All simulations are annual averages over a **20 year** period.

7. The model incorporates the *federal offset.* Reductions in state and local taxes generally increase federal taxable income, and hence the federal income tax.

The Construction of Cost and Asset Profiles for Typical Firms

Table 19 shows an example of a profile, constructed for a printing and publishing firm with 100 employees. Costs are in annual terms, and both costs and assets are adjusted to 1987 base year prices. The costs in the sample profile reflect U.S. average prices for labor, land, and other purchases. However, the actual simulation model has the potential to incorporate local cost adjustment factors for cities and nonmetro areas.

The value of buildings and machinery per employee, found in the asset section of the profile, indicates the capital intensity of the industry. The greater the industry's capital intensity, the greater will be the impact of property taxation.

Many data sources were used to construct the cost and asset profiles. As a starting point, important ratios such as sales per employee, payroll per employee, cost of materials per employee, inventories per employee, and energy use per employee were derived from the U.S. Department of Commerce *Annual Survey of Manufactures, 1989* and the *Census of Service Industries, 1987*. Supplementary information was drawn from the U.S. Treasury Department *Source Book of Statistics of Income.*

Data on investment per employee and square footage per employee were compiled from a listing of new corporate investments by industry published in *Industrial Development and Site Selection.* Building costs were estimated by multiplying square footage times square foot costs, the latter derived from *Means Square Foot Costs: Residential, Commercial, Industrial, Institutional.*

Three types of local cost data were incorporated into the model. First, and most important, were wage adjustments based on county wage and salary data from the Bureau of Economic Analysis. Second were data on gas and electric costs provided on a by state basis by the Department of Energy. Finally, data on construction in the states in the region were provided by *Means Square Foot Costs.*

Table 19
Example of a Firm Profile
Printing and Publishing

NUMBER OF EMPLOYEES	100
AVERAGE ANNUAL SALES	$9,115,041
AVERAGE ANNUAL COSTS	$6,460,754
Payroll	1,717,955
Production	1,088,414
Other	629,540
Employer's Soc. Sec. Payments	131,424
Employee Benefits	251,120
Intermediate Goods and Services	4,767,961
Materials	3,353,493
Transportation	226,013
Utilities	186,553
Electricity	108,490
Gas	36,037
Water	2,567
Communications	35,846
Other	3,613
Business Services, inc. Advertising	223,256
Other	778,646
Depreciation (annual average)	709,942
Repair and Rental Payments	97,904
Interest Payments	384,013
Other Costs or Revenue (-)	(1,599,564)
ASSET COSTS (excluding sales taxes)	
Land	$62,221
Buildings	$3,083,968
Machinery	$6,733,984
Inventory	$660,286
Debt/Equity Ratio	0.90
Interest Rate	8.0%

Business Taxes

The Tax Simulation Model uses information from the cost and asset profiles to calculate the taxes that would be paid by typical firms in each state. The model relies on a database of state

and local tax rates, and a complete description of the base to which each tax applies. In essence, the model fills out federal, state, and local tax forms for each typical firm, and calculates the firm's liability for each type of business tax. The model is careful to account for the feedback effects among taxes. For example, the model incorporates the "federal offset "which occurs when state and local taxes are deducted from federal taxable income. All calculations are carried out for a fifteen year period, and then converted to annualized averages.

The Tax Simulation Model was designed to allow the user to make alternative assumptions about the situations of the representative firms. Major assumptions are of three types, concerning:

1. the degree to which the firm receives tax credits and abatements.
2. the apportionment of income for multi-state firms.
3. the importance of costs other than taxes on location decisions.

Whether a firm receives tax incentives can make a large difference in its bottom line tax bill. The results presented in this report contrast two alternative sets of assumptions. In one scenario, firms are assumed to qualify for all incentives allowed for new firms in their respective industries. The firm is assumed to locate in an enterprise zone in the states where enterprise zone credits exist. In states which allow 100 percent property tax abatements, the firm is assumed to receive the full tax break. The first scenario approximates the situation of a "footloose" firm which can shop for the best incentive package available in the region. The alternative scenario offers the firm no special tax credits or abatements. This scenario is intended to represent the situation of a mature, long established firm which is currently neither expanding nor changing locations. The mature firm pays taxes in line with the basic tax structure of the state in which it is located. A mature firm may be discouraged from making additional investments in a state by a high business tax level.

Another key assumption in the Tax Simulation Model is whether the firm is a multi-state business. In general, a firm is considered a multi-state enterprise if some percentage of its property, payroll, or sales is located in more than one state. Multi-state firms create complex problems for state taxation, since the income of the firm must be divided among two or more locations for tax purposes. As indicated in Volume 1 of this report, the federal government cannot compel the states to follow any national guidelines for income allocation methods. For the purposes of this study, firms are assumed to locate all of their property and payroll within

a single state. In contrast, they are assumed to sell only 10 percent of their output in-state; that is, the firms are export oriented.

The final set of assumptions concern the extent to which differences in non-tax costs are built into the model. The appropriate set of assumptions depends on the type of question the user is trying to address. If the user is interested in distinguishing differences in state tax structures, a model which holds all other costs constant across locations is suitable. On the other hand, if the user is interested in broader issues of cost competitiveness, an extended model which builds in local cost adjustment factors for labor, utilities, and other key inputs, is more fitting. Results from both approaches are presented in this report. It should be noted that the second approach reflects feedback effects between costs and taxes. For example, suppose that a firm locates in an area where land is expensive in comparison with other states. Then the full version of the model will indicate high property taxes for the firm. The property tax level reflects not only the tax rate, but also the land value. Similarly, income taxes in the full model reflect the impact of costs on the taxable income base.

SUMMARY OF TAX SIMULATION RESULTS FOR FIVE STATES

The IPPBR model was designed to compare taxes in Kansas with those in four other states: Iowa, Missouri, Nebraska, and Oklahoma. Colorado was also included in Part 1 of this report. However, the unavailability of essential data made it necessary to leave Colorado out of this set of simulations. For Kansas, simulations are performed for five locations: Olathe, Overland Park, Wichita, and Kansas City, and a nonmetro average. Simulations for the other states include one major city (Des Moines, KCMO, Omaha, and Oklahoma City), and a nonmetro average.

The model was run under the assumption that non-tax costs, with exception of some minor variations in interest payments, are constant throughout the region. Although the assumption runs contrary to fact, it serves to isolate the impact of taxes alone. Hence this type of simulation is of the most interest to policy makers.

New Firms

From the point of view of a new firm which receives all available tax credits and abatements, tax burdens in Kansas vary considerably with location. Table 20 shows the average rank and percent of region for manufacturing industries and for non-manufacturing businesses. Among the among the urban areas investigated, Overland Park provides the most favorable tax climate, followed by Wichita, which ranks second lowest for manufacturing firms. With the exception of Kansas City, Kansas, taxes in the urban areas of the state fall below the regional average. Taxes should not prevent most Kansas urban areas from successfully competing for new firms, assuming that the current package of incentives continues to be offered. For Kansas nonmetro areas, the situation looks somewhat worse. Even when incentives are offered, taxes for new firms are about 3 percent above the regional average.

Mature Firms

A mature firm faces a much less favorable situation in Kansas than does a new firm. Table 21 compares the situations of firms receiving no tax credits or abatements. Taxes for firms in Kansas locations are generally the highest in the region. Taxes in Kansas City, Kansas exceed the regional average by almost 14 percent. Taxes exceed the regional average by a significant

percentage for both manufacturing and non-manufacturing industries, but the difference is slightly more pronounced for manufacturing. The capital intensity of the manufacturing firms makes them particularly vulnerable to the high level of Kansas property taxes. It appears that the recent reduction in property taxes has done little to improve the business tax climate in many parts of the state. For many industries, new sales and income taxes have offset the benefits of property tax reduction.

Table 20
Summary Table: New Firms Receiving Tax Credits and Abatements
Partial Model: Variation in Taxes Only

Location	Manufacturing: Taxes as % of Regional Av.	Other: Taxes as % of Regional Av.	Manufacturing: Kansas Rank	Other: Kansas Rank
Metro Areas				
Des Moines, Iowa	98.2%	98.1%	3	2
Olathe, Kansas	98.3%	100.3%	4	5
Overland Park, Kansas	97.1%	98.7%	1	3
Wichita, Kansas	97.8%	100.1%	2	4
Kansas City, Kansas	100.1%	103.3%	7	7
Kansas City, Missouri	99.7%	96.5%	8	1
Omaha, Nebraska	103.0%	101.9%	1	6
Oklahoma City, Oklahoma	99.2%	103.4%	5	8
Nonmetro Areas				
Non-Metro, Iowa	97.3%	96.6%	1	1
Non-Metro, Kansas	102.6%	103.5%	5	4
Non-Metro, Missouri	98.5%	96.8%	2	2
Non-Metro, Nebraska	102.4%	101.3%	4	3
Non-Metro, Oklahoma	101.8%	105.3%	3	5

Source: Calculated by IPPBR. Metro ranks range from 1 (lowest) to 8 (highest). Nonmetro ranks range from 1 (lowest) to 5 (highest).

Table 21
Summary Table: Mature Firms Receiving NO Tax Credits or Abatements
Partial Model: Variation in Taxes Only

Location	Manufacturing: Taxes as % of Regional Av.	Other: Taxes as % of Regional Av.	Manufacturing: Kansas Rank	Other: Kansas Rank
Metro Areas				
Des Moines, Iowa	96.9%	97.6%	1	1
Olathe, Kansas	108.6%	108.0%	7	7
Overland Park, Kansas	104.9%	104.9%	5	5
Wichita, Kansas	107.6%	107.5%	6	6
Kansas City, Kansas	113.9%	113.4%	8	8
Kansas City, Missouri	101.1%	98.9%	4	2
Omaha, Nebraska	101.1%	101.7%	3	3
Oklahoma City, Oklahoma	100.8%	101.8%	2	4
Nonmetro Areas				
Non-Metro, Iowa	96.0%	96.1%	1	1
Non-Metro, Kansas	110.2%	109.7%	5	5
Non-Metro, Missouri	98.7%	97.4%	2	2
Non-Metro, Nebraska	101.6%	101.7%	3	3
Non-Metro, Oklahoma	103.6%	104.8%	4	4

Source: Calculated by IPPBR. Metro ranks range from 1 (lowest) to 8 (highest). Nonmetro ranks range from 1 (lowest) to 5 (highest).

Breakdown of Taxes

Table 22 distinguishes the particular taxes responsible for the high overall level of taxation for mature Kansas firms. For example, Kansas property taxes for an established printing and publishing firm located in a typical nonmetro area exceed the regional average by about 70 percent. State income taxes exceed the regional average by an even greater percentage. The

high income tax estimates can be traced directly to the assumption that the firms are export oriented. In Kansas, a firm is liable for income tax based on in-state percentages of three factors: payroll, property, and sales. In contrast, several other states in the region base their income tax allocations on sales only, or on a combination of sales and property. For firms with most of their sales out-of-state, the single and two factor formulas generally result in a lower state tax liability.

Table 22
Taxes for Printing and Publishing Firm
Results for Average Nonmetro Area

Type of Tax	Kansas	Region	Kansas as % of Region
Federal Taxable Income	$2,209,632	$2,391,277	92.4%
Federal Income Tax	$751,275	$813,034	92.4%
State Income Tax	$119,960	$42,129	284.7%
Unemploy. and Workers' Comp.	$71,083	$44,413	160.0%
Property	$237,765	$140,450	169.3%
Franchise	$2,500	$4,357	57.4%
Sales Tax	$30,928	$35,206	87.8%
On Machinery and Structures	$7,836	$22,383	35.0%
TOTAL	$1,213,510	$1,079,589	112.4%

SOURCE: Calculated by IPPBR

CONSEQUENCES OF 1992 KANSAS TAX CHANGES

The final set of simulations in this report look at the changes in Kansas tax structure legislated in 1992. Two pieces of legislation are key here: the school finance act and the Kansas enterprise zone act. A summary of the major provisions of each are listed below:

School Finance Act

1. Introduced a 32 mill state mandated property tax as a substitute for much of the school portion of local property taxes. Local option taxes with limits also allowed.
2. Increased state sales tax to 4.9 from 4.25 percent.
3. Increased corporate income tax to 7.35 from 6.75 percent for incomes over $50,000. Decreased rate on incomes below $50,000.
4. Removed exemption on interstate telecommunications (with exceptions for telemarketing firms).
5. Imposed a 2.5 percent sales tax on previously exempt items, namely electricity, gas and water used in production, and original construction services.

Enterprise Zone Act

1. Eliminated most of the earlier enterprise zone incentives.
2. Eliminated enterprise zones in the usual sense.
3. Extended the sales tax exemptions on machinery and structures previously available in enterprise zones only to the entire state, with restriction on the types of firms that qualify for benefits.
4. Established job and investment credits of $1500 per new job and $1000 per $100,000 investment. Established a job credit of $2500 in qualified nonmetropolitan regions.

Results

Changes between 1991 and 1992 were simulated for five different locations in the state: Olathe; Overland Park; Wichita; Kansas City, Kansas; and an average of Kansas non-metropolitan areas. For each location, five industries were chosen to represent a mixture of firms which might typify the area's export base.

Actual 1992 property tax rates were not available at the time the simulations were run. To run the model, rates were estimated on the basis of 1991 rates provided by the Department of

Revenue and estimates of local option school property taxes provided by the Department of Education.

Results of the simulations are shown in Tables 23 through 32. To clarify the results, a few contrasting examples are useful. For instance, Overland Park had a low 1991 property tax rate compared with other urban areas in the state. 1992 rates will rise substantially. In contrast, Olathe, with an extremely high 1991 tax rate, should see a dramatic drop in taxes.

The nonmetro area simulations (Tables 27 and 28) provide an intermediate case. While firms receive property tax reductions of about 14 percent, this is not always enough to offset the losses due to increased corporate income and sales taxes. The results vary widely by industry. For firms that make heavy use of inputs that become subject to the sales tax (plastics, data processing), overall tax increases may result.

Any new tax plan will of course produce a set of winners and losers. Under the 1992 legislation, whether a firm is a winner or a loser depends on the area of the state in which it is located, and just as importantly, on the amounts of newly taxable inputs (energy, etc.) that it consumes. For many communities in the state, the 1992 Kansas tax changes are on average a break even proposition (see the nonmetro simulations). However the impact depends heavily on the industry examined. For firms that are intensive users of energy, like plastics producers and producers of grain mill products, property tax reductions can easily be more than offset by sales tax increases.

Table 23
Impact of 1992 Tax Changes
Olathe: New Firm Receiving All Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$570,711	$75,892	$121,710	$25,163	$324,763	$895,474
1992 Law	$583,442	$71,583	$92,502	$30,874	$296,956	$880,398
% Change under 1992 Law	2.2%	-5.7%	-24.0%	22.7%	-8.6%	-1.7%
Plastic Products						
1991 Law	$347,934	$46,038	$67,887	$20,741	$283,509	$631,443
1992 Law	$351,850	$39,324	$51,595	$35,481	$275,243	$627,093
% Change under 1992 Law	1.1%	-14.6%	-24.0%	71.1%	-2.9%	-0.7%
Electronics and Components						
1991 Law	$734,239	$97,805	$153,513	$35,166	$356,289	$1,090,528
1992 Law	$753,898	$95,809	$116,672	$42,117	$324,403	$1,078,301
% Change under 1992 Law	2.7%	-2.0%	-24.0%	19.8%	-8.9%	-1.1%
Data Processing, Computer Services						
1991 Law	$129,230	$16,729	$65,296	$24,264	$146,870	$276,100
1992 Law	$140,016	$11,143	$49,626	$19,492	$120,842	$260,858
% Change under 1992 Law	8.3%	-33.4%	-24.0%	-19.7%	-17.7%	-5.5%
Research and Development						
1991 Law	$789,727	$105,243	$191,501	$168,050	$503,800	$1,293,527
1992 Law	$855,335	$109,253	$145,544	$174,911	$468,715	$1,324,050
% Change under 1992 Law	8.3%	3.8%	-24.0%	4.1%	-7.0%	2.4%
Average: Five Industries						
1991 Law	$514,368	$68,342	$119,981	$54,677	$323,046	$837,415
1992 Law	$536,908	$65,422	$91,188	$60,575	$297,232	$834,140
% Change under 1992 Law	4.5%	-10.4%	-24.0%	19.6%	-9.0%	-1.3%

Table 24
Impact of 1992 Tax Changes
Olathe: Established Firm Receiving No Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$478,310	$63,501	$394,176	$25,913	$585,588	$1,063,898
1992 Law	$506,628	$80,297	$299,580	$31,625	$513,499	$1,020,127
% Change under 1992 Law	5.9%	26.5%	-24.0%	22.0%	-12.3%	-4.1%
Plastic Products						
1991 Law	$294,955	$38,934	$222,238	$20,911	$430,926	$725,881
1992 Law	$306,541	$47,859	$168,904	$35,651	$401,258	$707,799
% Change under 1992 Law	3.9%	22.9%	-24.0%	70.5%	-6.9%	-2.5%
Electronics and Components						
1991 Law	$619,203	$82,379	$494,114	$37,488	$683,784	$1,302,988
1992 Law	$658,908	$104,985	$375,534	$44,439	$594,762	$1,253,670
% Change under 1992 Law	6.4%	27.4%	-24.0%	18.5%	-13.0%	-3.8%
Data Processing, Computer Services						
1991 Law	$126,893	$16,416	$68,534	$24,784	$150,362	$277,255
1992 Law	$135,038	$20,055	$52,087	$20,012	$132,782	$267,821
% Change under 1992 Law	6.4%	22.2%	-24.0%	-19.3%	-11.7%	-3.4%
Research and Development						
1991 Law	$624,839	$83,134	$641,967	$182,738	$946,845	$1,571,685
1992 Law	$718,541	$114,653	$487,905	$189,600	$831,164	$1,549,705
% Change under 1992 Law	15.0%	37.9%	-24.0%	3.8%	-12.2%	-1.4%
Average: Five Industries						
1991 Law	$428,840	$56,873	$364,206	$58,367	$559,501	$988,341
1992 Law	$465,131	$73,570	$276,802	$64,265	$494,693	$959,824
% Change under 1992 Law	7.5%	27.4%	-24.0%	19.1%	-11.2%	-3.0%

Table 25
Impact of 1992 Tax Changes
Overland Park: New Firm Receiving All Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$588,614	$78,286	$66,993	$25,163	$272,439	$861,053
1992 Law	$589,643	$72,586	$73,399	$30,874	$278,856	$868,499
% Change under 1992 Law	0.2%	-7.3%	9.6%	22.7%	2.4%	0.9%
Plastic Products						
1991 Law	$357,920	$47,374	$37,367	$20,741	$254,324	$612,244
1992 Law	$355,309	$39,883	$40,940	$35,481	$265,147	$620,456
% Change under 1992 Law	-0.7%	-15.8%	9.6%	71.1%	4.3%	1.3%
Electronics and Components						
1991 Law	$756,819	$100,824	$84,498	$35,166	$290,293	$1,047,112
1992 Law	$761,720	$97,074	$92,578	$42,117	$301,574	$1,063,293
% Change under 1992 Law	0.6%	-3.7%	9.6%	19.8%	3.9%	1.5%
Data Processing, Computer Services						
1991 Law	$138,815	$18,014	$35,941	$24,264	$118,799	$257,615
1992 Law	$143,372	$11,562	$39,377	$19,492	$111,012	$254,385
% Change under 1992 Law	3.3%	-35.8%	9.6%	-19.7%	-6.6%	-1.3%
Research and Development						
1991 Law	$817,895	$109,010	$105,408	$168,050	$421,473	$1,239,368
1992 Law	$865,092	$110,831	$115,487	$174,911	$440,236	$1,305,328
% Change under 1992 Law	5.8%	1.7%	9.6%	4.1%	4.5%	5.3%
Average: Five Industries						
1991 Law	$532,013	$70,701	$66,041	$54,677	$271,466	$803,479
1992 Law	$543,027	$66,387	$72,356	$60,575	$279,365	$822,392
% Change under 1992 Law	1.8%	-12.2%	9.6%	19.6%	1.7%	1.6%

Table 26
Impact of 1992 Tax Changes
Overland Park: Established Firm Receiving No Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$560,822	$74,556	$216,966	$25,913	$419,433	$980,255
1992 Law	$526,662	$83,545	$237,713	$31,625	$454,880	$981,543
% Change under 1992 Law	-6.1%	12.1%	9.6%	22.0%	8.5%	0.1%
Plastic Products						
1991 Law	$341,528	$45,174	$122,326	$20,911	$337,255	$678,783
1992 Law	$317,837	$49,690	$134,023	$35,651	$368,208	$686,045
% Change under 1992 Law	-6.9%	10.0%	9.6%	70.5%	9.2%	1.1%
Electronics and Components						
1991 Law	$728,466	$97,018	$271,975	$37,488	$476,285	$1,204,751
1992 Law	$684,022	$109,057	$297,982	$44,439	$521,281	$1,205,303
% Change under 1992 Law	-6.1%	12.4%	9.6%	18.5%	9.4%	0.0%
Data Processing, Computer Services						
1991 Law	$144,299	$18,748	$37,723	$24,784	$121,883	$266,182
1992 Law	$138,522	$20,620	$41,330	$20,012	$122,590	$261,112
% Change under 1992 Law	-4.0%	10.0%	9.6%	-19.3%	0.6%	-1.9%
Research and Development						
1991 Law	$801,523	$106,806	$353,358	$182,738	$681,909	$1,483,432
1992 Law	$751,170	$119,943	$387,146	$189,600	$735,695	$1,486,865
% Change under 1992 Law	-6.3%	12.3%	9.6%	3.8%	7.9%	0.2%
Average: Five Industries						
1991 Law	$515,328	$68,460	$200,470	$58,367	$407,353	$922,681
1992 Law	$483,643	$76,571	$219,639	$64,265	$440,531	$924,174
% Change under 1992 Law	-5.9%	11.3%	9.6%	19.1%	7.1%	-0.1%

Table 27
Impact of 1992 Tax Changes
Nonmetro: New Firm Receiving All Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Meat Products						
1991 Law	$633,841	$84,344	$51,597	$13,448	$252,555	$886,396
1992 Law	$638,590	$76,019	$44,491	$20,479	$244,156	$882,746
% Change under 1992 Law	0.7%	-9.9%	-13.8%	52.3%	-3.3%	-0.4%
Grain Mill Products						
1991 Law	$852,528	$113,645	$50,182	$36,020	$300,817	$1,153,345
1992 Law	$851,560	$109,488	$43,272	$53,912	$307,640	$1,159,200
% Change under 1992 Law	-0.1%	-3.7%	-13.8%	49.7%	2.3%	0.5%
Printing and Publishing						
1991 Law	$809,187	$107,841	$84,795	$24,585	$290,804	$1,099,991
1992 Law	$816,716	$101,098	$73,118	$30,189	$277,987	$1,094,703
% Change under 1992 Law	0.9%	-6.3%	-13.8%	22.8%	-4.4%	-0.5%
Plastic Products						
1991 Law	$560,165	$74,473	$48,393	$20,218	$250,134	$810,299
1992 Law	$561,666	$65,187	$41,729	$34,782	$248,748	$810,414
% Change under 1992 Law	0.3%	-12.5%	-13.8%	72.0%	-0.6%	0.0%
Fabricated Structural Metal Prod.						
1991 Law	$833,071	$111,041	$85,650	$25,913	$372,135	$1,205,206
1992 Law	$839,931	$104,268	$73,855	$34,205	$361,859	$1,201,790
% Change under 1992 Law	0.8%	-6.1%	-13.8%	32.0%	-2.8%	-0.3%
Average: Five Industries						
1991 Law	$737,758	$98,269	$64,123	$24,037	$293,289	$1,031,047
1992 Law	$741,693	$91,212	$55,293	$34,713	$288,078	$1,029,771
% Change under 1992 Law	0.5%	-7.7%	-13.8%	45.8%	-1.8%	-0.1%

Table 28
Impact of 1992 Tax Changes
Nonmetro: Established Firm Receiving No Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Meat Products						
1991 Law	$594,511	$79,070	$166,781	$13,934	$362,951	$957,462
1992 Law	$596,840	$94,923	$144,076	$20,966	$363,130	$959,970
% Change under 1992 Law	0.4%	20.0%	-13.6%	50.5%	0.0%	0.3%
Grain Mill Products						
1991 Law	$813,617	$108,427	$163,345	$36,291	$409,032	$1,222,649
1992 Law	$810,010	$129,482	$140,851	$54,183	$425,484	$1,235,493
% Change under 1992 Law	-0.4%	19.4%	-13.8%	49.3%	4.0%	1.1%
Printing and Publishing						
1991 Law	$743,516	$99,035	$275,737	$25,324	$473,678	$1,217,194
1992 Law	$751,275	$119,960	$237,765	$30,928	$462,235	$1,213,510
% Change under 1992 Law	1.0%	21.1%	-13.8%	22.1%	-2.4%	-0.3%
Plastic Products						
1991 Law	$521,402	$69,275	$159,552	$20,386	$356,263	$877,665
1992 Law	$520,981	$82,624	$137,580	$34,950	$362,205	$883,186
% Change under 1992 Law	-0.1%	19.3%	-13.8%	71.4%	1.7%	0.6%
Fabricated Structural Metal Prod.						
1991 Law	$767,617	$102,264	$277,061	$26,752	$555,607	$1,323,224
1992 Law	$774,547	$123,733	$238,906	$35,044	$547,214	$1,321,762
% Change under 1992 Law	0.9%	21.0%	-13.8%	31.0%	-1.5%	-0.1%
Average: Five Industries						
1991 Law	$688,133	$91,614	$208,495	$24,537	$431,506	$1,119,639
1992 Law	$690,731	$110,144	$179,836	$35,214	$432,054	$1,122,784
% Change under 1992 Law	0.4%	20.2%	-13.7%	44.9%	0.4%	0.3%

Table 29
Impact of 1992 Tax Changes
Wichita: New Firm Receiving All Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$570,612	$75,879	$124,535	$22,840	$325,251	$895,864
1992 Law	$585,375	$71,891	$88,445	$28,291	$290,625	$876,000
% Change under 1992 Law	2.6%	-5.3%	-29.0%	23.9%	-10.6%	-2.2%
Plastic Products						
1991 Law	$344,816	$45,621	$78,872	$18,826	$292,163	$636,979
1992 Law	$350,993	$39,180	$56,015	$32,914	$276,952	$627,945
% Change under 1992 Law	1.8%	-14.1%	-29.0%	74.8%	-5.2%	-1.4%
Fabricated Structural Metal Prod.						
1991 Law	$578,243	$76,901	$120,607	$24,009	$429,822	$1,008,065
1992 Law	$592,063	$72,537	$85,655	$31,943	$398,442	$990,505
% Change under 1992 Law	2.4%	-5.7%	-29.0%	33.1%	-7.3%	-1.7%
Electronics and Components						
1991 Law	$738,730	$98,406	$144,964	$31,920	$345,095	$1,083,825
1992 Law	$759,381	$96,691	$102,954	$38,520	$307,970	$1,067,351
% Change under 1992 Law	2.8%	-1.7%	-29.0%	20.7%	-10.8%	-1.5%
Data Processing, Computer Services						
1991 Law	$126,817	$16,406	$75,280	$22,024	$154,292	$281,109
1992 Law	$139,282	$11,052	$53,464	$17,693	$122,791	$262,072
% Change under 1992 Law	9.8%	-32.6%	-29.0%	-19.7%	-20.4%	-6.8%
Average: Five Industries						
1991 Law	$471,844	$62,643	$108,852	$23,924	$309,325	$781,168
1992 Law	$485,419	$58,270	$77,307	$29,872	$279,356	$764,775
% Change under 1992 Law	3.9%	-11.9%	-29.0%	26.6%	-10.9%	-2.7%

Table 30
Impact of 1992 Tax Changes
Wichita: Established Firm Receiving No Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$498,326	$66,182	$403,493	$23,521	$595,194	$1,093,520
1992 Law	$511,757	$81,129	$286,562	$28,972	$498,661	$1,010,418
% Change under 1992 Law	2.7%	22.6%	-29.0%	23.2%	-16.2%	-7.6%
Plastic Products						
1991 Law	$296,102	$39,088	$257,890	$18,981	$464,801	$760,904
1992 Law	$302,719	$47,240	$183,154	$33,069	$412,306	$715,025
% Change under 1992 Law	2.2%	20.9%	-29.0%	74.2%	-11.3%	-6.0%
Fabricated Structural Metal Prod.						
1991 Law	$510,509	$67,815	$389,209	$24,782	$690,111	$1,200,620
1992 Law	$521,062	$82,637	$276,418	$32,717	$600,078	$1,121,139
% Change under 1992 Law	2.1%	21.9%	-29.0%	32.0%	-13.0%	-6.6%
Electronics and Components						
1991 Law	$663,625	$88,330	$466,667	$34,027	$658,829	$1,322,454
1992 Law	$674,564	$107,523	$331,429	$40,627	$549,384	$1,223,947
% Change under 1992 Law	1.6%	21.7%	-29.0%	19.4%	-16.6%	-7.4%
Data Processing, Computer Services						
1991 Law	$131,225	$16,996	$78,602	$22,496	$158,719	$289,943
1992 Law	$134,456	$19,961	$55,823	$18,165	$134,573	$269,029
% Change under 1992 Law	2.5%	17.4%	-29.0%	-19.3%	-15.2%	-7.2%
Average: Five Industries						
1991 Law	$419,957	$55,682	$319,172	$24,762	$513,531	$933,488
1992 Law	$428,912	$67,698	$226,677	$30,710	$439,000	$867,912
% Change under 1992 Law	2.2%	20.9%	-29.0%	25.9%	-14.5%	-7.0%

Table 31
Impact of 1992 Tax Changes
Kansas City: New Firm Receiving All Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$567,076	$75,406	$131,092	$26,711	$335,207	$902,283
1992 Law	$574,269	$70,102	$119,445	$32,596	$324,141	$898,410
% Change under 1992 Law	1.3%	-7.0%	-8.9%	22.0%	-3.3%	-0.4%
Plastic Products						
1991 Law	$343,842	$45,491	$79,334	$22,017	$295,685	$639,527
1992 Law	$344,719	$38,174	$72,285	$37,192	$296,495	$641,214
% Change under 1992 Law	0.3%	-16.1%	-8.9%	68.9%	0.3%	0.3%
Fabricated Structural Metal Prod.						
1991 Law	$573,783	$76,304	$129,410	$28,078	$442,098	$1,015,880
1992 Law	$580,268	$70,639	$117,912	$36,815	$433,672	$1,013,940
% Change under 1992 Law	1.1%	-7.4%	-8.9%	31.1%	-1.9%	-0.2%
Motor Vehicles and Parts						
1991 Law	$1,278,755	$170,774	$283,239	$60,371	$737,386	$2,016,142
1992 Law	$1,291,249	$172,829	$258,074	$72,155	$726,061	$2,017,310
% Change under 1992 Law	1.0%	1.2%	-8.9%	19.5%	-1.5%	0.1%
Wholesale Trade, Durables						
1991 Law	$729,529	$97,169	$96,776	$32,665	$409,217	$1,138,745
1992 Law	$731,139	$98,241	$88,178	$39,287	$408,312	$1,139,451
% Change under 1992 Law	0.2%	1.1%	-8.9%	20.3%	-0.2%	0.1%
Average: Five Industries						
1991 Law	$698,597	$93,029	$143,970	$33,968	$443,919	$1,142,516
1992 Law	$704,329	$89,997	$131,179	$43,609	$437,736	$1,142,065
% Change under 1992 Law	0.8%	-5.6%	-8.9%	32.4%	-1.3%	-0.0%

Table 32
Impact of 1992 Tax Changes
Kansas City: Established Firm Receiving No Incentives

Industry	Federal Income Tax	State Income Tax	Property Tax	Sales Tax	Sub-Total St and Loc	Total All Taxes
Printing and Publishing						
1991 Law	$467,179	$62,010	$425,917	$27,508	$617,432	$1,084,612
1992 Law	$477,345	$75,550	$388,076	$33,393	$599,016	$1,076,361
% Change under 1992 Law	2.2%	21.8%	-8.9%	21.4%	-3.0%	-0.8%
Plastic Products						
1991 Law	$281,955	$37,192	$260,544	$22,198	$468,777	$750,732
1992 Law	$283,804	$44,173	$237,395	$37,373	$467,785	$751,588
% Change under 1992 Law	0.7%	18.8%	-8.9%	68.4%	-0.2%	0.1%
Fabricated Structural Metal Prod.						
1991 Law	$476,146	$63,211	$418,599	$28,982	$719,098	$1,195,244
1992 Law	$485,293	$76,839	$381,408	$37,720	$704,272	$1,189,565
% Change under 1992 Law	1.9%	21.6%	-8.9%	30.1%	-2.1%	-0.5%
Motor Vehicles and Parts						
1991 Law	$1,065,732	$142,207	$914,882	$62,479	$1,342,571	$2,408,303
1992 Law	$1,087,780	$174,514	$833,597	$74,264	$1,305,378	$2,393,158
% Change under 1992 Law	2.1%	22.7%	-8.9%	18.9%	-2.8%	-0.6%
Wholesale Trade, Durables						
1991 Law	$653,224	$86,937	$319,400	$32,727	$621,671	$1,274,894
1992 Law	$656,344	$104,569	$291,023	$39,349	$617,548	$1,273,892
% Change under 1992 Law	0.5%	20.3%	-8.9%	20.2%	-0.7%	-0.1%
Average: Five Industries						
1991 Law	$588,847	$78,311	$467,868	$34,779	$753,910	$1,342,757
1992 Law	$598,113	$95,129	$426,300	$44,420	$738,800	$1,336,913
% Change under 1992 Law	1.5%	21.0%	-8.9%	31.8%	-1.7%	-0.4%

CONCLUSIONS: PART 2

The IPPBR Tax Simulation model assesses the impact of current and proposed tax changes. In this sense, it can be as useful tool to help inform the legislature and the larger community about some of the potential consequences of changes in tax structure.

The tax model carefully distinguishes the situation of a new firm, assumed to be eligible for tax incentives, from that of a mature firm, assumed to receive no tax incentives. The simulations based on the new firm assumption measure the impact of incentives for economic development; the simulations based on the mature firm assumptions measure a state's basic tax structure.

The simulation model shows that new firms in most Kansas locations would, over a 20 year period, pay a total amount of taxes very close to the regional average. Taxes should not discourage firms from considering Kansas locations. However the situation is worse for mature Kansas firms. Depending on location, the model shows taxes for these firms to be between 7 and 17 percent higher than the regional average. This may discourage Kansas firms from growth and expansion.

The model shows that for many locations in the state, the positive effect of property tax relief is offset by new corporate income and sales taxes. In general, the 1992 tax package does little to bring the overall level of Kansas taxes in line with the region. However some areas of the state, those which prior to 1992 levied extremely high property taxes for education, should find it easier to attract businesses.

Appendix A
State and Local Taxes

Colorado
Iowa
Kansas
Missouri
Nebraska
Oklahoma
Regional Totals
United States Totals

Colorado Taxes

COLORADO	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	2,960,177	3,428,667	3,652,125	4,256,125	4,679,819	4,852,387	5,280,264	5,564,208	5,939,578	6,342,317
Population (thous.)	2,978	3,062	3,134	3,170	3,209	3,238	3,261	3,263	3,276	3,302
Taxes Per Capita	994	1,120	1,165	1,343	1,458	1,499	1,619	1,705	1,813	1,921
Taxes Levied by State Government										
State Tax Revenue	1,445,777	1,685,067	1,743,225	2,132,825	2,284,417	2,344,375	2,561,477	2,725,767	2,903,821	3,069,428
% Total Tax Revenue	48.8%	49.1%	47.7%	50.1%	48.8%	48.3%	48.5%	49.0%	48.9%	48.4%
Per Capita	485	550	556	673	712	724	785	835	886	930
State General Sales	529,881	612,900	622,548	791,382	726,484	736,649	718,646	724,300	750,960	825,275
% State Tax Revenue	36.7%	36.4%	35.7%	37.1%	31.8%	31.4%	28.1%	26.6%	25.9%	26.9%
Per Capita	178	200	199	250	226	228	220	222	229	250
State Individual Income	437,649	548,944	655,496	763,627	907,619	955,931	1,034,676	1,159,923	1,272,854	1,341,695
% State Tax Revenue	30.3%	32.6%	37.6%	35.8%	39.7%	40.8%	40.4%	42.6%	43.8%	43.7%
Per Capita	147	179	209	241	283	295	317	355	389	406
State Corporate Income	103,465	91,400	56,184	87,721	101,654	116,937	124,085	146,776	171,176	123,357
% State Tax Revenue	7.2%	5.4%	3.2%	4.1%	4.4%	5.0%	4.8%	5.4%	5.9%	4.0%
Per Capita	35	30	18	28	32	36	38	45	52	37
State Severance Tax	35,879	49,184	27,056	30,009	30,401	22,577	9,694	15,330	13,787	14,402
% State Tax Revenue	2.5%	2.9%	1.6%	1.4%	1.3%	1.0%	0.4%	0.6%	0.5%	0.5%
Per Capita	12	16	9	9	9	7	3	5	4	4
State Motor Fuel Tax	108,382	138,802	143,016	188,739	186,619	194,444	291,575	300,032	303,554	324,765
% State Tax Revenue	7.5%	8.2%	8.2%	8.8%	8.2%	8.3%	11.4%	11.0%	10.5%	10.6%
Per Capita	36	45	46	60	58	60	89	92	93	98
State Motor Vehicle Tax	52,538	53,799	54,354	67,069	68,868	72,935	77,538	82,358	82,500	109,250
% State Tax Revenue	3.6%	3.2%	3.1%	3.1%	3.0%	3.1%	3.0%	3.0%	2.8%	3.6%
Per Capita	18	18	17	21	21	23	24	25	25	33
State Other Taxes	177,983	190,038	184,571	204,278	262,772	244,902	305,263	297,048	308,990	330,684
% State Tax Revenue	12.3%	11.3%	10.6%	9.6%	11.5%	10.4%	11.9%	10.9%	10.6%	10.8%
Per Capita	60	62	59	64	82	76	94	91	94	100

Colorado Taxes cont.

COLORADO	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	1,514,400	1,743,600	1,908,900	2,123,300	2,395,402	2,508,012	2,718,787	2,838,441	3,035,757	3,272,889
% Total Tax Revenue	51.2%	50.9%	52.3%	49.9%	51.2%	51.7%	51.5%	51.0%	51.1%	51.6%
Per Capita	509	569	609	670	746	775	834	870	927	991
Local General Sales Tax	369,200	430,300	502,600	550,400	634,284	660,079	689,476	711,489	770,816	842,482
% Local Tax Revenue	24.4%	24.7%	26.3%	25.9%	26.5%	26.3%	25.4%	25.1%	25.4%	25.7%
Per Capita	124	141	160	174	198	204	211	218	235	255
Local Property Tax	1,040,400	1,196,900	1,275,200	1,410,000	1,598,222	1,692,943	1,877,704	1,986,992	2,098,298	2,247,076
% Local Tax Revenue	68.7%	68.6%	66.8%	66.4%	66.7%	67.5%	69.1%	70.0%	69.1%	68.7%
Per Capita	349	391	407	445	498	523	576	609	641	681
Local Income Tax	0	0	0	0	0	0	0	0	68	38
% Local Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	0	0	0	0	0	0	0	0	0	0
Local Other Taxes	104,800	116,400	131,100	162,900	162,896	154,990	151,607	139,960	166,575	183,293
% Local Tax Revenue	6.9%	6.7%	6.9%	7.7%	6.8%	6.2%	5.6%	4.9%	5.5%	5.6%
Per Capita	35	38	42	51	51	48	46	43	51	56

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 SA5) 1990.

Iowa Taxes

IOWA	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	3,028,407	3,292,691	3,402,189	3,703,903	3,838,565	4,041,095	4,336,290	4,695,519	4,986,105	5,224,732
Population (thous.)	2,908	2,888	2,871	2,859	2,830	2,792	2,767	2,769	2,771	2,780
Taxes Per Capita	1,041	1,140	1,185	1,296	1,356	1,447	1,567	1,696	1,799	1,879
Taxes Levied by State Government										
State Tax Revenue	1,835,807	1,996,991	2,014,289	2,241,503	2,307,406	2,459,172	2,662,110	2,841,657	3,158,182	3,313,094
% Total Tax Revenue	60.6%	60.6%	59.2%	60.5%	60.1%	60.9%	61.4%	60.5%	63.3%	63.4%
Per Capita	631	691	702	784	815	881	962	1,026	1,140	1,192
State General Sales	514,727	523,397	571,087	736,265	757,765	768,564	826,107	859,033	931,743	943,565
% State Tax Revenue	28.0%	26.2%	28.4%	32.8%	32.8%	31.3%	31.0%	30.2%	29.5%	28.5%
Per Capita	177	181	199	258	268	275	299	310	336	339
State Individual Income	673,470	720,883	724,127	788,001	824,551	864,475	955,232	1,064,816	1,172,573	1,271,689
% State Tax Revenue	36.7%	36.1%	35.9%	35.2%	35.7%	35.2%	35.9%	37.5%	37.1%	38.4%
Per Capita	232	250	252	276	291	310	345	385	423	457
State Corporate Income	135,868	147,115	138,483	132,093	154,412	138,588	149,602	158,040	202,685	199,558
% State Tax Revenue	7.4%	7.4%	6.9%	5.9%	6.7%	5.6%	5.6%	5.6%	6.4%	6.0%
Per Capita	47	51	48	46	55	50	54	57	73	72
State Severance Tax	0	0	0	0	0	0	0	0	0	0
% State Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	0	0	0	0	0	0	0	0	0	0
State Motor Fuel Tax	156,864	180,037	188,271	196,128	182,417	230,549	252,041	266,094	311,077	334,285
% State Tax Revenue	8.5%	9.0%	9.3%	8.7%	7.9%	9.4%	9.5%	9.4%	9.8%	10.1%
Per Capita	54	62	66	69	64	83	91	96	112	120
State Motor Vehicle Tax	144,095	144,928	146,728	143,227	136,058	168,854	176,462	184,489	201,441	216,909
% State Tax Revenue	7.8%	7.3%	7.3%	6.4%	5.9%	6.9%	6.6%	6.5%	6.4%	6.5%
Per Capita	50	50	51	50	48	60	64	67	73	78
State Other Taxes	210,783	280,631	245,593	245,789	252,203	288,142	302,666	309,185	338,663	347,088
% State Tax Revenue	11.5%	14.1%	12.2%	11.0%	10.9%	11.7%	11.4%	10.9%	10.7%	10.5%
Per Capita	72	97	86	86	89	103	109	112	122	125

Iowa Taxes cont.

IOWA	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	1,192,600	1,295,700	1,387,900	1,462,400	1,531,159	1,581,923	1,674,180	1,853,862	1,827,923	1,911,638
% Total Tax Revenue	39.4%	39.4%	40.8%	39.5%	39.9%	39.1%	38.6%	39.5%	36.7%	36.6%
Per Capita	410	449	483	512	541	567	605	670	660	688
Local General Sales Tax	0	0	0	0	0	0	1,611	7,247	15,435	31,580
% Local Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.8%	1.7%
Per Capita	0	0	0	0	0	0	1	3	6	11
Local Property Tax	1,170,200	1,272,500	1,363,100	1,434,100	1,500,502	1,551,273	1,638,844	1,810,026	1,772,478	1,833,512
% Local Tax Revenue	98.1%	98.2%	98.2%	98.1%	98.0%	98.1%	97.9%	97.6%	97.0%	95.9%
Per Capita	402	441	475	502	530	556	592	654	640	660
Local Income Tax	0	0	0	0	1	40	65	129	0	2,530
% Local Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Per Capita	0	0	0	0	0	0	0	0	0	1
Local Other Taxes	22,400	23,200	24,800	28,300	30,656	30,610	33,660	36,460	40,010	44,016
% Local Tax Revenue	1.9%	1.8%	1.8%	1.9%	2.0%	1.9%	2.0%	2.0%	2.2%	2.3%
Per Capita	8	8	9	10	11	11	12	13	14	16

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 SA5) 1990.

Kansas Taxes

KANSAS	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	2,371,977	2,489,536	2,737,325	3,071,928	3,323,863	3,430,333	3,732,865	4,182,286	4,315,826	4,578,438
Population (thous.)	2,385	2,401	2,416	2,424	2,428	2,433	2,446	2,462	2,473	2,480
Taxes Per Capita	995	1,037	1,133	1,267	1,369	1,410	1,526	1,699	1,745	1,846
Taxes Levied by State Government										
State Tax Revenue	1,392,277	1,402,736	1,565,625	1,789,628	1,915,199	1,911,548	2,085,490	2,445,284	2,496,343	2,668,998
% Total Tax Revenue	58.7%	56.3%	57.2%	58.3%	57.6%	55.7%	55.9%	58.5%	57.8%	58.3%
Per Capita	584	584	648	738	789	786	853	993	1,009	1,076
State General Sales	449,213	470,762	498,495	518,907	546,933	560,718	726,833	775,633	806,230	872,604
% State Tax Revenue	32.3%	33.6%	31.8%	29.0%	28.6%	29.3%	34.9%	31.7%	32.3%	32.7%
Per Capita	188	196	206	214	225	230	297	315	326	352
State Individual Income	415,015	419,821	530,657	567,469	603,459	582,158	634,479	826,318	844,369	856,769
% State Tax Revenue	29.8%	29.9%	33.9%	31.7%	31.5%	30.5%	30.4%	33.8%	33.8%	32.1%
Per Capita	174	175	220	234	249	239	259	336	341	345
State Corporate Income	150,421	122,549	141,347	136,665	159,670	156,344	137,061	195,520	198,305	210,462
% State Tax Revenue	10.8%	8.7%	9.0%	7.6%	8.3%	8.2%	6.6%	8.0%	7.9%	7.9%
Per Capita	63	51	59	56	66	64	56	79	80	85
State Severance Tax	1,007	1,013	2,339	116,990	111,886	102,108	63,601	81,812	79,723	86,620
% State Tax Revenue	0.1%	0.1%	0.1%	6.5%	5.8%	5.3%	3.0%	3.3%	3.2%	3.2%
Per Capita	0	0	1	48	46	42	26	33	32	35
State Motor Fuel Tax	114,632	116,416	115,180	143,362	148,825	151,651	156,753	170,035	171,113	224,420
% State Tax Revenue	8.2%	8.3%	7.4%	8.0%	7.8%	7.9%	7.5%	7.0%	6.9%	8.4%
Per Capita	48	48	48	59	61	62	64	69	69	90
State Motor Vehicle Tax	69,851	70,530	69,376	71,929	75,148	74,990	73,915	78,339	80,769	97,441
% State Tax Revenue	5.0%	5.0%	4.4%	4.0%	3.9%	3.9%	3.5%	3.2%	3.2%	3.7%
Per Capita	29	29	29	30	31	31	30	32	33	39
State Other Taxes	192,138	201,645	208,231	234,306	269,278	283,579	292,848	317,627	315,834	320,682
% State Tax Revenue	13.8%	14.4%	13.3%	13.1%	14.1%	14.8%	14.0%	13.0%	12.7%	12.0%
Per Capita	81	84	86	97	111	117	120	129	128	129

Kansas Taxes cont.

KANSAS	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	979,700	1,086,800	1,171,700	1,282,300	1,408,664	1,518,785	1,647,375	1,737,002	1,819,483	1,909,440
% Total Tax Revenue	41.3%	43.7%	42.8%	41.7%	42.4%	44.3%	44.1%	41.5%	42.2%	41.7%
Per Capita	411	453	485	529	580	624	673	706	736	770
Local General Sales Tax	33,100	40,700	50,100	85,200	121,113	149,529	191,091	214,788	196,922	204,432
% Local Tax Revenue	3.4%	3.7%	4.3%	6.6%	8.6%	9.8%	11.6%	12.4%	10.8%	10.7%
Per Capita	14	17	21	35	50	61	78	87	80	82
Local Property Tax	895,400	988,800	1,056,600	1,116,700	1,200,764	1,283,534	1,363,899	1,426,940	1,519,833	1,599,594
% Local Tax Revenue	91.4%	91.0%	90.2%	87.1%	85.2%	84.5%	82.8%	82.1%	83.5%	83.8%
Per Capita	375	412	437	461	495	528	558	580	615	645
Local Income Tax	0	0	0	0	4	2	0	0	0	0
% Local Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	0	0	0	0	0	0	0	0	0	0
Local Other Taxes	51,200	57,300	65,000	80,400	86,783	85,720	92,385	95,274	102,728	105,414
% Local Tax Revenue	5.2%	5.3%	5.5%	6.3%	6.2%	5.6%	5.6%	5.5%	5.6%	5.5%
Per Capita	21	24	27	33	36	35	38	39	42	43

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 SA5) 1990.

Missouri Taxes

MISSOURI	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	3,883,465	4,144,057	4,626,825	5,070,302	5,484,597	5,835,300	6,361,580	7,051,065	7,532,764	7,938,085
Population (thous.)	4,932	4,930	4,944	4,976	5,001	5,024	5,057	5,082	5,096	5,127
Taxes Per Capita	787	841	936	1,019	1,097	1,161	1,258	1,387	1,478	1,548
Taxes Levied by State Government										
State Tax Revenue	2,142,965	2,313,057	2,640,325	3,053,002	3,352,482	3,608,083	3,942,295	4,405,501	4,685,374	4,939,169
% Total Tax Revenue	55.2%	55.8%	57.1%	60.2%	61.1%	61.8%	62.0%	62.5%	62.2%	62.2%
Per Capita	435	469	534	614	670	718	780	867	919	963
State General Sales	787,185	839,003	984,874	1,328,464	1,418,212	1,530,176	1,624,025	1,683,481	1,765,638	1,898,837
% State Tax Revenue	36.7%	36.3%	37.3%	43.5%	42.3%	42.4%	41.2%	38.2%	37.7%	38.4%
Per Capita	160	170	199	267	284	305	321	331	346	370
State Individual Income	669,728	760,711	885,272	903,604	1,053,598	1,116,470	1,247,536	1,515,970	1,688,344	1,790,590
% State Tax Revenue	31.3%	32.9%	33.5%	29.6%	31.4%	30.9%	31.6%	34.4%	36.0%	36.3%
Per Capita	136	154	179	182	211	222	247	298	331	349
State Corporate Income	128,282	123,072	118,625	165,652	160,564	174,199	235,352	224,228	243,226	221,471
% State Tax Revenue	6.0%	5.3%	4.5%	5.4%	4.8%	4.8%	6.0%	5.1%	5.2%	4.5%
Per Capita	26	25	24	33	32	35	47	44	48	43
State Severance Tax	19	30	25	26	41	31	21	33	26	35
% State Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	0	0	0	0	0	0	0	0	0	0
State Motor Fuel Tax	186,323	193,579	194,290	197,044	205,701	214,924	215,212	339,738	349,576	355,094
% State Tax Revenue	8.7%	8.4%	7.4%	6.5%	6.1%	6.0%	5.5%	7.7%	7.5%	7.2%
Per Capita	38	39	39	40	41	43	43	67	69	69
State Motor Vehicle Tax	109,594	110,939	117,529	129,155	165,174	179,157	185,017	195,344	194,114	198,803
% State Tax Revenue	5.1%	4.8%	4.5%	4.2%	4.9%	5.0%	4.7%	4.4%	4.1%	4.0%
Per Capita	22	23	24	26	33	36	37	38	38	39
State Other Taxes	261,834	285,723	339,710	329,057	349,192	393,126	435,132	446,707	444,450	474,339
% State Tax Revenue	12.2%	12.4%	12.9%	10.8%	10.4%	10.9%	11.0%	10.1%	9.5%	9.6%
Per Capita	53	58	69	66	70	78	86	88	87	93

Missouri Taxes cont.

MISSOURI	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	1,740,500	1,831,000	1,986,500	2,017,300	2,132,115	2,227,217	2,419,285	2,645,564	2,847,390	2,998,916
% Total Tax Revenue	44.8%	44.2%	42.9%	39.8%	38.9%	38.2%	38.0%	37.5%	37.8%	37.8%
Per Capita	353	371	402	405	426	443	478	521	559	585
Local General Sales Tax	266,800	302,300	340,800	379,400	445,776	491,568	518,572	562,591	608,470	643,796
% Local Tax Revenue	15.3%	16.5%	17.2%	18.8%	20.9%	22.1%	21.4%	21.3%	21.4%	21.5%
Per Capita	54	61	69	76	89	98	103	111	119	126
Local Property Tax	1,087,900	1,121,300	1,205,300	1,165,300	1,194,292	1,224,263	1,375,329	1,509,865	1,628,856	1,735,516
% Local Tax Revenue	62.5%	61.2%	60.7%	57.8%	56.0%	55.0%	56.8%	57.1%	57.2%	57.9%
Per Capita	221	227	244	234	239	244	272	297	320	339
Local Income Tax	122,200	125,300	128,500	136,400	151,932	164,087	172,883	177,598	199,603	207,935
% Local Tax Revenue	7.0%	6.8%	6.5%	6.8%	7.1%	7.4%	7.1%	6.7%	7.0%	6.9%
Per Capita	25	25	26	27	30	33	34	35	39	41
Local Other Taxes	263,600	282,100	311,900	336,200	340,115	347,299	352,501	395,510	410,461	411,669
% Local Tax Revenue	15.1%	15.4%	15.7%	16.7%	16.0%	15.6%	14.6%	14.9%	14.4%	13.7%
Per Capita	53	57	63	68	68	69	70	78	81	80

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 SA5) 1990.

Nebraska Taxes

NEBRASKA	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	1,528,860	1,645,227	1,831,154	1,978,742	2,009,569	2,138,391	2,327,909	2,495,059	2,708,966	2,864,258
Population (thous.)	1,578	1,582	1,584	1,589	1,585	1,575	1,567	1,572	1,575	1,580
Taxes Per Capita	969	1,040	1,156	1,245	1,268	1,358	1,486	1,587	1,720	1,813
Taxes Levied by State Government										
State Tax Revenue	803,960	860,527	987,454	1,068,742	1,040,064	1,119,392	1,203,344	1,342,868	1,449,994	1,512,928
% Total Tax Revenue	52.6%	52.3%	53.9%	54.0%	51.8%	52.3%	51.7%	53.8%	53.5%	52.8%
Per Capita	509	544	623	673	656	711	768	854	921	958
State General Sales	281,212	288,517	356,608	374,541	341,429	349,884	390,546	447,790	490,812	508,047
% State Tax Revenue	35.0%	33.5%	36.1%	35.0%	32.8%	31.3%	32.5%	33.3%	33.8%	33.6%
Per Capita	178	182	225	236	215	222	249	285	312	322
State Individual Income	201,161	226,560	280,662	304,318	318,848	351,828	359,803	432,035	474,100	495,567
% State Tax Revenue	25.0%	26.3%	28.4%	28.5%	30.7%	31.4%	29.9%	32.2%	32.7%	32.8%
Per Capita	127	143	177	192	201	223	230	275	301	314
State Corporate Income	54,128	48,498	51,635	66,909	48,959	54,559	67,423	73,783	80,624	71,948
% State Tax Revenue	6.7%	5.6%	5.2%	6.3%	4.7%	4.9%	5.6%	5.5%	5.6%	4.8%
Per Capita	34	31	33	42	31	35	43	47	51	46
State Severance Tax	4,196	6,010	5,217	4,539	4,607	4,037	2,396	2,571	2,284	2,729
% State Tax Revenue	0.5%	0.7%	0.5%	0.4%	0.4%	0.4%	0.2%	0.2%	0.2%	0.2%
Per Capita	3	4	3	3	3	3	2	2	1	2
State Motor Fuel Tax	115,410	125,715	194,290	129,981	127,565	146,546	161,842	165,798	173,288	209,278
% State Tax Revenue	14.4%	14.6%	19.7%	12.2%	12.3%	13.1%	13.4%	12.3%	12.0%	13.8%
Per Capita	73	79	123	82	80	93	103	105	110	132
State Motor Vehicle Tax	44,327	43,765	44,932	48,543	50,452	49,381	50,586	50,464	51,886	56,119
% State Tax Revenue	5.5%	5.1%	4.6%	4.5%	4.9%	4.4%	4.2%	3.8%	3.6%	3.7%
Per Capita	28	28	28	31	32	31	32	32	33	36
State Other Taxes	103,526	121,462	54,110	139,911	148,204	163,157	170,748	170,427	177,000	169,240
% State Tax Revenue	12.9%	14.1%	5.5%	13.1%	14.2%	14.6%	14.2%	12.7%	12.2%	11.2%
Per Capita	66	77	34	88	94	104	109	108	112	107

Nebraska Taxes cont.

NEBRASKA	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	724,900	784,700	843,700	910,000	969,505	1,018,999	1,124,565	1,152,191	1,258,972	1,351,330
% Total Tax Revenue	47.4%	47.7%	46.1%	46.0%	48.2%	47.7%	48.3%	46.2%	46.5%	47.2%
Per Capita	459	496	533	573	612	647	718	733	799	855
Local General Sales Tax	43,700	48,200	49,400	54,500	55,819	57,544	67,547	75,054	84,554	89,737
% Local Tax Revenue	6.0%	6.1%	5.9%	6.0%	5.8%	5.6%	6.0%	6.5%	6.7%	6.6%
Per Capita	28	30	31	34	35	37	43	48	54	57
Local Property Tax	648,700	701,800	756,100	811,600	865,205	921,436	1,010,576	1,028,505	1,120,013	1,200,894
% Local Tax Revenue	89.5%	89.4%	89.6%	89.2%	89.2%	90.4%	89.9%	89.3%	89.0%	88.9%
Per Capita	411	444	477	511	546	585	645	654	711	760
Local Income Tax	0	0	0	0	0	0	0	0	0	0
% Local Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	0	0	0	0	0	0	0	0	0	0
Local Other Taxes	32,500	34,700	38,200	43,900	48,481	40,019	46,442	48,632	54,405	60,699
% Local Tax Revenue	4.5%	4.4%	4.5%	4.8%	5.0%	3.9%	4.1%	4.2%	4.3%	4.5%
Per Capita	21	22	24	28	31	25	30	31	35	38

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 SA5) 1990.

Oklahoma Taxes

OKLAHOMA	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	3,054,578	3,659,324	3,709,187	3,821,281	4,255,458	4,242,665	3,986,639	4,548,092	4,751,596	4,954,384
Population (thous.)	3,096	3,206	3,291	3,286	3,272	3,253	3,211	3,168	3,150	3,146
Taxes Per Capita	987	1,141	1,127	1,163	1,301	1,304	1,242	1,436	1,508	1,575
Taxes Levied by State Government										
State Tax Revenue	2,232,278	2,713,324	2,627,487	2,661,981	2,982,100	2,959,632	2,669,188	3,150,072	3,312,359	3,476,859
% Total Tax Revenue	73.1%	74.1%	70.8%	69.7%	70.1%	69.8%	67.0%	69.3%	69.7%	70.2%
Per Capita	721	846	798	810	911	910	831	994	1,052	1,105
State General Sales	382,649	481,996	409,125	456,679	630,522	656,048	613,769	756,916	777,825	844,475
% State Tax Revenue	17.1%	17.8%	15.6%	17.2%	21.1%	22.2%	23.0%	24.0%	23.5%	24.3%
Per Capita	124	150	124	139	193	202	191	239	247	268
State Individual Income	494,023	641,428	651,202	657,831	727,100	687,646	678,828	832,779	932,616	1,000,883
% State Tax Revenue	22.1%	23.6%	24.8%	24.7%	24.4%	23.2%	25.4%	26.4%	28.2%	28.8%
Per Capita	160	200	198	200	222	211	211	263	296	318
State Corporate Income	128,697	139,022	103,325	97,223	104,522	107,077	83,703	83,725	112,851	95,920
% State Tax Revenue	5.8%	5.1%	3.9%	3.7%	3.5%	3.6%	3.1%	2.7%	3.4%	2.8%
Per Capita	42	43	31	30	32	33	26	26	36	30
State Severance Tax	601,486	742,701	777,687	703,738	708,816	571,375	370,178	386,680	371,573	395,292
% State Tax Revenue	26.9%	27.4%	29.6%	26.4%	23.8%	19.3%	13.9%	12.3%	11.2%	11.4%
Per Capita	194	232	236	214	217	176	115	122	118	126
State Motor Fuel Tax	128,875	137,724	128,102	145,453	190,754	205,681	204,931	311,367	315,462	330,960
% State Tax Revenue	5.8%	5.1%	4.9%	5.5%	6.4%	6.9%	7.7%	9.9%	9.5%	9.5%
Per Capita	42	43	39	44	58	63	64	98	100	105
State Motor Vehicle Tax	132,027	168,760	180,890	181,536	189,878	237,628	218,025	244,761	249,569	266,136
% State Tax Revenue	5.9%	6.2%	6.9%	6.8%	6.4%	8.0%	8.2%	7.8%	7.5%	7.7%
Per Capita	43	53	55	55	58	73	68	77	79	85
State Other Taxes	364,521	401,693	377,156	419,521	430,508	494,177	499,754	533,844	552,463	543,193
% State Tax Revenue	16.3%	14.8%	14.4%	15.8%	14.4%	16.7%	18.7%	16.9%	16.7%	15.6%
Per Capita	118	125	115	128	132	152	156	169	175	173

Oklahoma Taxes cont.

OKLAHOMA	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	822,300	946,000	1,081,700	1,159,300	1,273,358	1,283,033	1,317,451	1,398,020	1,439,237	1,477,525
% Total Tax Revenue	26.9%	25.9%	29.2%	30.3%	29.9%	30.2%	33.0%	30.7%	30.3%	29.8%
Per Capita	266	295	329	353	389	394	410	441	457	470
Local General Sales Tax	281,600	363,200	389,900	424,400	452,317	435,995	436,185	459,196	495,962	519,930
% Local Tax Revenue	34.2%	38.4%	36.0%	36.6%	35.5%	34.0%	33.1%	32.8%	34.5%	35.2%
Per Capita	91	113	118	129	138	134	136	145	157	165
Local Property Tax	492,500	525,100	621,800	658,300	744,863	772,832	802,219	860,188	862,311	872,770
% Local Tax Revenue	59.9%	55.5%	57.5%	56.8%	58.5%	60.2%	60.9%	61.5%	59.9%	59.1%
Per Capita	159	164	189	200	228	238	250	272	274	277
Local Income Tax	0	0	0	0	0	0	0	0	0	0
% Local Tax Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	0	0	0	0	0	0	0	0	0	0
Local Other Taxes	48,200	57,700	70,000	76,600	76,178	74,206	79,047	78,636	80,964	84,825
% Local Tax Revenue	5.9%	6.1%	6.5%	6.6%	6.0%	5.8%	6.0%	5.6%	5.6%	5.7%
Per Capita	16	18	21	23	23	23	25	25	26	27

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 SA5) 1990.

Regional Tax Totals

REGION	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	16,827,464	18,659,502	19,958,805	21,902,281	23,591,871	24,540,171	26,025,547	28,536,229	30,234,835	31,902,214
Population (thous.)	17,877	18,069	18,240	18,304	18,325	18,315	18,309	18,316	18,341	18,415
Taxes Per Capita	941	1,033	1,094	1,197	1,287	1,340	1,421	1,558	1,648	1,732
Taxes Levied by State Government										
State Tax Revenue	9,853,064	10,971,702	11,578,405	12,947,681	13,881,668	14,402,202	15,123,904	16,911,149	18,006,073	18,980,476
% Total Tax Revenue	58.6%	58.8%	58.0%	59.1%	58.8%	58.7%	58.1%	59.3%	59.6%	59.5%
Per Capita	551	607	635	707	758	786	826	923	982	1,031
State General Sales	2,944,867	3,216,575	3,442,737	4,206,238	4,421,345	4,602,039	4,899,926	5,247,153	5,523,208	5,892,803
% State Tax Revenue	29.9%	29.3%	29.7%	32.5%	31.9%	32.0%	32.4%	31.0%	30.7%	31.0%
Per Capita	165	178	189	230	241	251	268	286	301	320
State Individual Income	2,891,046	3,318,347	3,727,416	3,984,850	4,435,175	4,558,508	4,910,554	5,831,841	6,384,856	6,757,193
% State Tax Revenue	29.3%	30.2%	32.2%	30.8%	31.9%	31.7%	32.5%	34.5%	35.5%	35.6%
Per Capita	162	184	204	218	242	249	268	318	348	367
State Corporate Income	700,861	671,656	609,599	686,263	729,781	747,704	797,226	882,072	1,008,867	922,716
% State Tax Revenue	7.1%	6.1%	5.3%	5.3%	5.3%	5.2%	5.3%	5.2%	5.6%	4.9%
Per Capita	39	37	33	37	40	41	44	48	55	50
State Severance Tax	642,587	798,938	812,324	855,302	855,751	700,128	445,890	486,426	467,393	499,078
% State Tax Revenue	6.5%	7.3%	7.0%	6.6%	6.2%	4.9%	2.9%	2.9%	2.6%	2.6%
Per Capita	36	44	45	47	47	38	24	27	25	27
State Motor Fuel Tax	810,486	892,273	963,149	1,000,707	1,041,881	1,143,795	1,282,354	1,553,064	1,624,070	1,778,802
% State Tax Revenue	8.2%	8.1%	8.3%	7.7%	7.5%	7.9%	8.5%	9.2%	9.0%	9.4%
Per Capita	45	49	53	55	57	62	70	85	89	97
State Motor Vehicle Tax	552,432	592,721	613,809	641,459	685,578	782,945	781,543	835,755	860,279	944,658
% State Tax Revenue	5.6%	5.4%	5.3%	5.0%	4.9%	5.4%	5.2%	4.9%	4.8%	5.0%
Per Capita	31	33	34	35	37	43	43	46	47	51
State Other Taxes	1,310,785	1,481,192	1,409,371	1,572,862	1,712,157	1,867,083	2,006,411	2,074,838	2,137,400	2,185,226
% State Tax Revenue	13.3%	13.5%	12.2%	12.1%	12.3%	13.0%	13.3%	12.3%	11.9%	11.5%
Per Capita	73	82	77	86	93	102	110	113	117	119

Regional Tax Totals cont.

REGION	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	6,974,400	7,687,800	8,380,400	8,954,600	9,710,203	10,137,969	10,901,643	11,625,080	12,228,762	12,921,738
% Total Tax Revenue	41.4%	41.2%	42.0%	40.9%	41.2%	41.3%	41.9%	40.7%	40.4%	40.5%
Per Capita	390	425	459	489	530	554	595	635	667	702
Local General Sales Tax	994,400	1,184,700	1,332,800	1,493,900	1,709,309	1,794,715	1,904,482	2,030,365	2,172,159	2,331,957
% Local Tax Revenue	14.3%	15.4%	15.9%	16.7%	17.6%	17.7%	17.5%	17.5%	17.8%	18.0%
Per Capita	56	66	73	82	93	98	104	111	118	127
Local Property Tax	5,335,100	5,806,400	6,278,100	6,596,000	7,103,848	7,446,281	8,068,571	8,622,516	9,001,789	9,489,362
% Local Tax Revenue	76.5%	75.5%	74.9%	73.7%	73.2%	73.4%	74.0%	74.2%	73.6%	73.4%
Per Capita	298	321	344	360	388	407	441	471	491	515
Local Income Tax	122,200	125,300	128,500	136,400	151,937	164,129	172,948	177,727	199,671	210,503
% Local Tax Revenue	1.8%	1.6%	1.5%	1.5%	1.6%	1.6%	1.6%	1.5%	1.6%	1.6%
Per Capita	7	7	7	7	8	9	9	10	11	11
Local Other Taxes	522,700	571,400	641,000	728,300	745,109	732,844	755,642	794,472	855,143	889,916
% Local Tax Revenue	7.5%	7.4%	7.6%	8.1%	7.7%	7.2%	6.9%	6.8%	7.0%	6.9%
Per Capita	29	32	35	40	41	40	41	43	47	48

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 SA5) 1990.

United States Tax Totals

UNITED STATES	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Tax Revenue.	244,528,051	266,248,336	284,609,395	320,303,225	350,366,544	373,291,938	405,364,630	435,650,186	468,520,485	501,618,648
Population (thous.)	229,457	231,669	233,806	235,847	237,950	240,162	242,321	244,534	246,820	249,466
Taxes Per Capita	1,066	1,149	1,217	1,358	1,472	1,554	1,673	1,782	1,898	2,011
Taxes Levied by State Government										
State Tax Revenue	149,751,851	162,607,136	171,464,295	196,904,625	215,893,158	228,294,540	247,148,658	264,055,303	284,042,202	300,488,565
% Total Tax Revenue	61.2%	61.1%	60.2%	61.5%	61.6%	61.2%	61.0%	60.6%	60.6%	59.9%
Per Capita	653	702	733	835	907	951	1,020	1,080	1,151	1,205
State General Sales	46,412,126	50,356,889	53,643,010	62,563,604	69,632,708	74,927,418	79,818,707	87,009,688	93,414,302	99,701,944
% State Tax Revenue	31.0%	31.0%	31.3%	31.8%	32.3%	32.8%	32.3%	33.0%	32.9%	33.2%
Per Capita	202	217	229	265	293	312	329	356	378	400
State Individual Income	40,895,235	45,667,517	49,788,567	59,002,227	63,907,951	67,469,485	76,037,916	80,133,133	88,692,576	96,076,243
% State Tax Revenue	27.3%	28.1%	29.0%	30.0%	29.6%	29.6%	30.8%	30.3%	31.2%	32.0%
Per Capita	178	197	213	250	269	281	314	328	359	385
State Corporate Income	14,143,497	14,001,709	13,152,503	15,511,378	17,631,194	18,462,149	20,740,041	21,684,670	23,861,368	21,751,119
% State Tax Revenue	9.4%	8.6%	7.7%	7.9%	8.2%	8.1%	8.4%	8.2%	8.4%	7.2%
Per Capita	62	60	56	66	74	77	86	89	97	87
State Severance Tax	6,379,191	7,829,520	7,405,589	7,248,943	7,211,178	6,038,399	4,047,878	4,326,436	4,147,152	4,682,531
% State Tax Revenue	4.3%	4.8%	4.3%	3.7%	3.3%	2.6%	1.6%	1.6%	1.5%	1.6%
Per Capita	28	34	32	31	30	25	17	18	17	19
State Motor Fuel Tax	9,733,528	10,437,350	10,793,330	12,395,562	13,351,590	14,086,947	15,705,469	17,196,209	18,029,090	19,379,238
% State Tax Revenue	6.5%	6.4%	6.3%	6.3%	6.2%	6.2%	6.4%	6.5%	6.3%	6.4%
Per Capita	42	45	46	53	56	59	65	70	73	78
State Motor Vehicle Tax	5,266,082	5,564,260	5,784,050	6,353,571	7,045,280	7,679,189	8,308,708	8,879,338	9,351,323	9,847,862
% State Tax Revenue	3.5%	3.4%	3.4%	3.2%	3.3%	3.4%	3.4%	3.4%	3.3%	3.3%
Per Capita	23	24	25	27	30	32	34	36	38	39
State Other Taxes	26,922,192	28,749,891	30,897,246	33,829,340	37,113,257	39,630,953	42,489,939	44,825,829	46,546,391	49,049,628
% State Tax Revenue	18.0%	17.7%	18.0%	17.2%	17.2%	17.4%	17.2%	17.0%	16.4%	16.3%
Per Capita	117	124	132	143	156	165	175	183	189	197

United States Tax Totals cont.

UNITED STATES	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes Levied by Local Governments										
Local Tax Revenue	94,776,200	103,641,200	113,145,100	123,398,600	134,473,386	144,997,398	158,215,972	171,594,883	184,478,283	201,130,083
% Total Tax Revenue	38.8%	38.9%	39.8%	38.5%	38.4%	38.8%	39.0%	39.4%	39.4%	40.1%
Per Capita	413	447	484	523	565	604	653	702	747	806
Local General Sales Tax	9,229,300	10,240,000	11,250,500	12,648,000	14,662,940	15,888,897	17,135,058	18,158,782	19,183,300	21,584,650
% Local Tax Revenue	9.7%	9.9%	9.9%	10.2%	10.9%	11.0%	10.8%	10.6%	10.4%	10.7%
Per Capita	40	44	48	54	62	66	71	74	78	87
Local Property Tax	72,020,200	78,804,900	85,972,600	92,595,100	99,772,444	107,356,355	116,617,595	127,190,902	137,107,461	149,765,146
% Local Tax Revenue	76.0%	76.0%	76.0%	75.0%	74.2%	74.0%	73.7%	74.1%	74.3%	74.5%
Per Capita	314	340	368	393	419	447	481	520	555	600
Local Income Tax	5,531,200	6,104,600	6,445,500	7,215,800	7,974,444	8,536,434	9,663,286	10,272,215	11,048,357	11,378,697
% Local Tax Revenue	5.8%	5.9%	5.7%	5.8%	5.9%	5.9%	6.1%	6.0%	6.0%	5.7%
Per Capita	24	26	28	31	34	36	40	42	45	46
Local Other Taxes	7,995,500	8,491,700	9,476,500	10,939,700	12,063,558	13,215,712	14,800,033	15,972,984	17,139,165	18,401,590
% Local Tax Revenue	8.4%	8.2%	8.4%	8.9%	9.0%	9.1%	9.4%	9.3%	9.3%	9.1%
Per Capita	35	37	41	46	51	55	61	65	69	74

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 SA5) 1990.

BIBLIOGRAPHY

Advisory Commission on Intergovernmental Relations [1990]. *Significant Features of Fiscal Federalism, 1990*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1989]. *Significant Features of Fiscal Federalism, 1989*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1988]. *Significant Features of Fiscal Federalism, 1988*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1987]. *Significant Features of Fiscal Federalism, 1987*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1985-86]. *Significant Features of Fiscal Federalism, 1985-86*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1984]. *Significant Features of Fiscal Federalism, 1984*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1982-83]. *Significant Features of Fiscal Federalism, 1982-83*. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations [1988]. *The Tax Reform Act of 1986--Its Effect on Both Federal and State Personal Income Tax Liabilities*. Washington, D.C.: Advisory Commission on Intergovernmental Relations, January.

Bast, Joseph L; Beck, John H; Genetski, Robert J.; Rue, Richard C; and Skorburg, John W. [1989]. *Coming Out of the Ice: A Plan to Make the 1990s Illinois' Decade*. Chicago, IL: Heartland Institute, 1989.

Blair, John P. and Premus, Robert [1987]. "Major Factors in Industrial Location: A Review." *Economic Development Quarterly*, Vol. 1, No.1, 72-85.

Brandon, David V. [1990]. "The Role of Incentives in Corporate Facility Planning." *Corporate Management*, Volume 159, No. 1, 15-18, January/February.

Colorado [1987]. *Colorado Urban and Rural Enterprise Zone Act.*

Colorado Department of Revenue [1991]. *Annual Report 1990.*

Colorado Department of Revenue [1990]. *Colorado Statistics of Income--Individual Income Tax Returns Filed in 1988, Corporate Income Tax Returns Filed in Fiscal Year 1987/88.*

Colorado Department of Revenue [1988]. *Colorado Sales and Use Tax, General Information and Instructions.*

Colorado Division of Commerce and Development [undated]. *Doing Business in Colorado.*

Colorado Division of Property Taxation, Department of Local Affairs [1989]. *State of Colorado Eighteenth Annual Report, 1988.*

Colorado Division of Property Taxation, Department of Local Affairs [1987]. *State of Colorado Sixteenth Annual Report, 1986.*

Colorado Enterprise Zones, Department of Local Affairs [1989]. *Enterprise Zone Status Report.*

Colorado Enterprise Zones, Department of Local Affairs [1990]. *Enterprise Zone Status Report.*

Colorado Enterprise Zones, Department of Local Affairs [1989]. *Enterprise Zone Tax Benefits.*

Cordes, Henry J. [1992] "Amendment 1 Offers Pros, Cons: Opinions Differ About Taxing 'The Big Guys'." *Omaha World Herald*, 3 May.

Cordes, Henry J. [1992] "Tax Shifts Would Touch Many." *Omaha World Herald*, 29 April.

Davies, David G. [1986]. *United States Taxes and Tax Policy*. Cambridge, England: Cambridge University Press.

Dun and Bradstreet Credit Services [1987]. *Industry Norms and Key Business Ratios.*

"The Geo-Corporate Index" [1989]. *Site Selection and Industrial Development*, Vol. 34, No. 1, February, pp. 50-55, 130-257.

Gelfand, M. David, and Salsich, Peter W. Jr. [1985]. *State and Local Taxation and Finance*. St. Paul, MN: West Publishing Co.

Gillam-Gwyn, Carey. [1992]. "Kansas Faces 31% Workers' Comp Hike, Missouri 15%." *Kansas City Business Journal*, 6 March.

Grady, Dennis O. [1987]. "State Economic Development Incentives: Why Do States Compete?" *State and Local Government Review*, Vol. 19, No. 3, Fall, pp. 86-94.

Grant Thornton [1990]. *The 11th Annual Grant Thornton Manufacturing Climates Study*. Chicago, IL: Grant Thornton, August.

Hamilton, William, Ledebur, Larry, and Matz, Deborah [1984]. *Industrial Incentives: Public Promotion of Private Enterprises.* Washington, D.C.: Aslan Press.

Hewitt, Roger S., and Susan C. Stephenson [1983]. "State Tax Revenues Under Competition." *National Tax Journal*, Volume 36, No. 1, March.

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

Iowa Department of Economic Development [1990]. *Your Guide to Doing Business in Iowa.*

Iowa Department of Revenue and Finance [1991]. *1991 Annual Report.*

Iowa Department of Revenue and Finance [1990]. *1989 Iowa Individual Income Tax Annual Statistical Report.*

Iowa Department of Revenue and Finance [1988]. *Iowa Corporation Income and Franchise Tax Report.*

Iowa Department of Revenue and Finance [1989]. *Net Taxable Valuations and Consolidated Tax Levies, by County for Urban and Rural Areas - Valuations as of January 1, 1987.*

Iowa Department of Revenue and Finance, Information and Management Services Division [1991]. *Retail Sales and Use Tax Report.*

Iowa Department of Revenue and Finance, Local Government Services Division [1991]. *1991 Property Valuation Report.*

Iowa Department of Revenue and Finance, [1991] *Review of Statutory Sales and Use Tax Exemptions*, August.

Kansas Department of Administration, Division of Accounts and Reports [1986]. *State of Kansas Financial Reports.*

Kansas Department of Commerce [1988]. *Directory of Kansas Manufacturers and Products, 1988 Edition.*

Kansas Department of Revenue [1989a]. *Kansas Revenue Review*, February.

Kansas Department of Revenue [1989b]. *Kansas Revenue Review*, May.

Kansas Department of Revenue [1988a]. *Kansas Revenue Review*, February.

Kansas Department of Revenue [1988b]. *Kansas Revenue Review*, May.

Kansas Department of Revenue, Division of Property Valuation [1989a]. *Real Estate Assessment/Sales Ratio Study, 1988.*

Kansas Department of Revenue, Division of Property Valuation [1989b]. *Statistical Report of Property Assessment and Taxation, 1988.*

Kansas Department of Revenue, Office of Communications [1988]. *Annual Report; Fiscal Year 1988.* Kansas Legislative Research Department [1986]. *Kansas Tax Facts.* Supplement to the Fifth Edition.

Kansas Revisor of Statutes [1992]. *Kansas Statutes Annotated.* Topeka, KS, 1992.

Means Square Foot Costs: Residential, Commercial, Industrial, Institutional. 1989 10th Annual Edition. [1988]. Kingston, MA: R.S. Means Company, Inc.

Milward, H. B. & Newman, Heidi H. [1989]. "State Incentive Packages and Industrial Location Decision." *Economic Development Quarterly.* Vol. 3, No. 3, 203-222, August.

Missouri Department of Economic Development [1988]. *Starting A New Business In Missouri.* February.

Missouri Department of Economic Development [1989]. *Missouri Corporate Planner: The Missouri Advantage.*

Missouri Department of Economic Development [1989]. *The Missouri Advantage: 5 Tax Benefit Programs.*

Missouri Department of Revenue [1988]. *Component Unit Financial Report of the Missouri Department of Revenue.* December 1.

Musgrave, Richard A., and Peggy B. Musgrave [1973]. *Public Finance in Theory and Practice.* 2nd ed. New York: McGraw-Hill Book Company.

National Association of State Development Agencies [1986]. *Directory of Incentives for Business Investment and Development in the United States.* Washington, D.C.: The Urban Institute Press.

National Council on Compensation Insurance [1986-92]. *Workers Compensation and Employers Liability.* New York: National Council on Compensation Insurance.

Nebraska Department of Economic Development [1986]. *Nebraska and the Opportunity It Offers Your Business!*

Nebraska Department of Revenue [1990]. *1990 Annual Report.*

Nebraska Department of Revenue [1988]. *Personal and Corporate Income Tax Incentives.*

Nebraska Department of Revenue [1989a]. *Chronology of Nebraska Income Tax and Sales Tax Rates.* January.

Nebraska Department of Revenue [1989b]. *Employment Expansion and Investment Act* (LB270, as amended by LB335). June.

Nebraska Department of Revenue [1991]. *State Funds.* December.

Newsbank, *Denver (Colorado) Post* [1989]. "Property Values Decline by 10%." 9 May.

Newman, Robert J. & Sullivan, Dennis H. [1988] "Econometric Analysis of Business Tax Impacts on Industrial Location: What Do We Know, and How Do We Know It." *Journal of Urban Economics.* Volume 23, 215-234.

Oklahoma Department of Economic Development [1985]. *A Manufacturer's Guide to Oklahoma Taxes.*

Oklahoma Department of Commerce [1989]. *A Guide for Small Business: Fifteen Steps to Help Insure Your Business Success.*

Oklahoma Department of Commerce [1991]. *Oklahoma: Business Taxation and Investment Incentives Guide.*

Oklahoma Department of Commerce [1989]. *A Guide to Business Assistance.*

Oklahoma Research. *1989 Ad Valorem Report* [1990]. Oklahoma City, OK: Oklahoma Research.

Oklahoma Tax Commission [1989]. *Oklahoma Tax Topics: Business Taxes.*

Oklahoma Tax Commission [1988]. *Annual Report of the Oklahoma Tax Commission.* Fiscal Year Ending June 30, 1991.

Oklahoma Tax Commission [1988]. *Annual Report of the Oklahoma Tax Commission.* Fiscal Year Ending June 30, 1990.

Oklahoma Tax Commission [1988]. *Annual Report of the Oklahoma Tax Commission.* Fiscal Year Ending June 30, 1988.

Oklahoma Tax Commission [1988]. *1988 Progress Report to the Legislature on Property Revaluation.*

Olson, Kent W., and James W. Kleckley [1989]. "Severance Tax Stability." *National Tax Journal*, Volume XLII, No. 1, March.

Omaha Utilities [undated]. Omaha, NE: Greater Omaha Chamber of Commerce, pp. u1-u34.

Oslund, Pat [1990a]. *"Business Taxes in Kansas and Nearby States."* Executive Summary. Report no. 179a. Lawrence, KS: Institute for Public Policy and Business Research, August.

Oslund, Pat [1990b]. *"Business Taxes in Kansas and Nearby States."* Vol 1: Overview of State and Local Taxation in the Region. Report no. 179b. Lawrence, KS: Institute for Public Policy and Business Research, August.

Oslund, Pat [1990c]. *"Business Taxes in Kansas and Nearby States."* Vol 2: Results from a Tax Simulation Model. Report no. 179c. Lawrence, KS: Institute for Public Policy and Business Research, August.

Oslund, Pat [1988]. "Business Taxes in Kansas and Nearby States." *Kansas Business Review.* Lawrence, KS: The Institute for Public Policy and Business Research, University of Kansas, Summer edition.

Oslund, Pat [1992]. *"Revising the Kansas Enterprise Zone Program: Assessment for Change."* Lawrence, KS: The Institute for Public Policy and Business Research, University of Kansas.

Page, Paul [1989]. *Oklahoma's Enterprise Zones.* Norman, OK: University of Oklahoma, Bureau of Government Research, December.

Papke, Leslie E. [1986]. *The Influence of Interstate Tax Differentials on the Birth of New Firms: Estimates of a Poisson Process.* Center for Tax Policy Studies, Paper No. 9. West Lafayette, IN: Purdue University, November.

Parker, Joel. *Characteristics of New Corporate Facility Investments* [1988]. Atlanta, GA: Industrial Development Research Council, Inc. and Industrial Development Research Foundation, Inc.

Pechman, Joseph A. [1985]. *Who Paid Taxes, 1966-85?* Washington, D.C.: The Brookings Institute.

Pomp, Richard D. [1986]. "The Role of State Tax Incentives in Attracting and Retaining Business." *Economic Development Review,* Spring, Vol. 6, No. 2, pp. 53-62.

Price Waterhouse & Co. [1975]. *State Tax Comparison Study.* St. Louis, MO: Price Waterhouse & Co.

Proceedings of the Eighth Annual NTA-TIA Conference on Taxation [1987]. Columbus, OH: NTA-TIA.

Redwood, Anthony and Krider, Charles [1986]. *Executive Report, Kansas Economic Development Study: Findings, Strategy, and Recommendations*. Report no. 108. Lawrence, KS: Institute for Public Policy and Business Research, June.

Riemann, Ed [1989]. Kansas Department of Commerce, Policy Analysis and Research Unit. *Materials prepared for National Association of State Development Agencies*. Mimeo.

Sanborn, Gina et. al. [1988]. *The Nature and Significance of the Overland Park/Johnson County Economy*. Lawrence, KS: Institute for Public Policy and Business Research, University of Kansas. July.

Schmenner, Roger W. [1982]. *Making Business Location Decisions*. Englewood Cliffs, NJ: Prentice-Hall, Inc.

Sentell, Will [1989]. "Ashcroft Signs Temporary Tax Increase." *Kansas City Times*, 12 July, p. 1A.

Sicilian, Shirley K. [1987]. *Cost and Benefits of Business Tax Incentives to Kansas*. Lawrence, KS: Institute for Public Policy and Business Research, University of Kansas, February.

Society of Industrial and Office Realtors of the National Association of Realtors [1988]. *1988 Guide to Industrial and Office Real Estate Markets*. Washington, D.C.: National Association of Realtors. SRI microfiche.

State Tax Guide. [1992]. Commerce Clearing House, Inc.

State Tax Guide. [1989]. Commerce Clearing House, Inc.

State Tax Review [1987-1992]. Commerce Clearing House, Volumes 48, 49, and 50, issued weekly.

Steinnes, Donald N. [1984]. "Business Climate, Tax Incentives, and Regional Economic Development." *Growth and Change*, Vol. 15, No. 2, pp. 38-47.

Taxpayers Research Institute of Missouri. *Property Tax Rates of Missouri Local Governments, 29th Annual Edition* [1992]. Jefferson City, MO: Taxpayers Research Institute of Missouri, March.

U.S. Department of Commerce, Bureau of the Census [1992]. *Graphical Area Statistics*. 1990.

U.S. Department of Commerce, Bureau of the Census [1987]. *Annual Survey of Manufactures, Expenditures for Plant and Equipment, Book Value of Fixed Assets, Rental Payments for Building and Equipment, Depreciation and Retirements, 1985*.

U.S. Department of Commerce, Bureau of the Census [1992]. *Annual Survey of Manufactures, Statistics for Industry Groups and Industries, 1990.*

U.S. Department of Commerce, Bureau of the Census [1990]. *Census of Manufactures, General Summary: Industry, Product Class, and Geographic Area Statistics, 1987.*

U.S. Department of Commerce, Bureau of the Census [1990]. *Census of Manufactures, Subject Series, Water Use in Manufacturing, 1987.*

U.S. Department of Commerce, Bureau of the Census [1992]. *Census of Service Industries, Geographic Area Series, United States, 1987.* CD ROM.

U.S. Department of Commerce, Bureau of the Census [1992]. *Census of Service Industries, Industry Series, Capital Expenditures, Depreciable Assets, and Operating Expenses, 1987.* CD ROM.

U.S. Department of Commerce, Bureau of the Census [1992]. *Census of Wholesale Trade, Geographic Area Series, United States, 1987.* CD ROM.

U.S. Department of Commerce, Bureau of the Census. *County Business Patterns.* 1980-1989. Tables 1B and 2. Tape.

U.S. Department of Commerce, Bureau of the Census [1991]. *Government Finances in 1989-90.* Dec.

U.S. Department of Commerce, Bureau of the Census [1991]. *Government Finances in 1988-89.* Feb.

U.S. Department of Commerce, Bureau of the Census [1990]. *Government Finances in 1987-88.* Jan.

U.S. Department of Commerce, Bureau of the Census [1988]. *Government Finances in 1986-87.* Nov.

U.S. Department of Commerce, Bureau of the Census [1987]. *Government Finances in 1985-86.* Nov.

U.S. Department of Commerce, Bureau of the Census [1986]. *Government Finances in 1984-85.* Dec.

U.S. Department of Commerce, Bureau of the Census [1985]. *Government Finances in 1983-84.* Oct.

U.S. Department of Commerce, Bureau of the Census [1984]. *Government Finances in 1982-83.* Oct.

U.S. Department of Commerce, Bureau of the Census [1983]. *Government Finances in 1981-82.* Oct.

U.S. Department of Commerce, Bureau of the Census [1982]. *Government Finances in 1980-81.* Oct.

U.S. Department of Commerce, Bureau of the Census [1990]. *State Government Finances in 1990.* August.

U.S. Department of Commerce, Bureau of the Census [1989]. *State Government Finances in 1989.* August.

U.S. Department of Commerce, Bureau of the Census [1989]. *State Government Tax Collections in 1988.* June.

U.S. Department of Commerce, Bureau of the Census [1988]. *State Government Tax Collections in 1987.* March.

U.S. Department of Commerce, Bureau of the Census [1987]. *State Government Tax Collections in 1986.* March.

U.S. Department of Commerce, Bureau of the Census [1986]. *State Government Tax Collections in 1985.* Feb.

U.S. Department of Commerce, Bureau of the Census [1985]. *State Government Tax Collections in 1984.* March.

U.S. Department of Commerce, Bureau of the Census [1984]. *State Government Tax Collections in 1983.* Jan.

U.S. Department of Commerce, Bureau of the Census [1983]. *State Government Tax Collections in 1982.* Jan.

U.S. Department of Commerce, Bureau of the Census [1982]. *State Government Tax Collections in 1981.* Jan.

U.S. Department of Commerce, Bureau of the Census [1988]. *Statistical Abstract of the United States 1988.*

U.S. Department of Commerce, Bureau of Economic Analysis [1984]. *537 Industry Input-Output Tables for the U.S. 1977.* Computer tape.

U.S. Department of Commerce, Bureau of Economic Analysis [1989]. *Full-time and Part-time Employment by Major Industry (1969-1987).* Table CA25.

U.S. Department of Commerce, Bureau of Economic Analysis [1989]. *Personal Income by Major Source and Earnings by Major Industry (1969-1987).* Table CA5.

U.S. Department of Commerce, Bureau of Economic Analysis [1989]. Tables 6.4B, 6.5B, 6.6B, 6.7B. *Survey of Current Business*, Vol. 69, No. 7, July.

U.S. Department of Energy, Energy Information Administration [1989]. *State Energy Price and Expenditure Report 1987.* Sept.

U.S. Department of Labor, Division of Actuarial Services. [1992]. *Unemployment Insurance Service.* Fax Transmittal.

U.S. Department of Labor, Employment and Training Administration. *Unemployment Insurance Financial Data for Calendar Year 1987.* ASI microfiche 6406-6.29.

U.S. Department of the Treasury, Internal Revenue Service [1988]. *Depreciation.* Publication No. 534. Nov.

U.S. Department of the Treasury, Internal Revenue Service [1985]. *Source Book Statistics of Income, Active Corporation Income Tax Returns, July 1984-June 1985.*

United States Telephone Association [1987]. *Statistics of the Telephone Industry.* Washington, D.C.: United States Telephone Association.

Wasylenko, Michael, and John Yinger [1988]. *Final Report: Nebraska Comprehensive Study.* Syracuse, NY: Metropolitan Studies Program, The Maxwell School, Syracuse University, July.

White, Fred C. [1983]. "Trade-Off in Growth and Stability in State Taxes." *National Tax Journal.* Vol. 36, No. 1, March.

Wilson, Roger [1989]. *State Business Incentives and Economic Growth: Are They Effective? A Review of the Literature, Economic Development in the States*, Vol. 1. Lexington, KY: Council of State Governments.

Wolf, Michael Allan [1990]. "Enterprise Zones: A Decade of Diversity." *Economic Development Quarterly*, Vol. 4, No. 1, February, 3-14.

Zimmerman, Dennis [1987]. *Tax Reform: Its Potential Effect on the State and Local Sector.* Washington, D.C.: Congressional Research Service, March 20.