

Kansas Taxes Hit Poor & Middle Class Much Harder than the Wealthy

Low- and middle-income families in Kansas pay a much higher share of their income in state and local taxes than do the richest Kansans, according to a new study by the Institute on Taxation & Economic Policy.

“State and local governments are being called upon to take on more and more responsibilities,” said Robert S. McIntyre, ITEP’s tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. “Unfortunately, when it comes to paying for services, Kansas has an unfair tax system.”

Kansas’s Tax Code: Tax the Poor & Middle Class More Than the Wealthy

When all Kansas taxes are totaled up, the study found that:

- The state and local tax rate on the best off one percent of Kansas families—with average incomes of \$781,000—is 8.0% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is only 5.7%.
- The average tax rate on families in the middle of the income distribution—those earning between \$27,000 and \$44,000—is 10.4% before the federal offset and about the same after, nearly double the effective rate on the best-off one percent.
- But the tax rate on the poorest Kansas families—those earning less than \$14,000—is the highest of all. At 11.5% it is more than double the effective rate on the very wealthy.

“Kansas’s income tax fails to offset the regressivity of its sales and excise taxes, giving the state a regressive tax system,” McIntyre said. “Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in taxes should rise as income grows, not fall as is the case in Kansas.”

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Tax Regressivity Has Worsened Since 1989

The study also examined the impact of changes in the regressivity of Kansas taxes since 1989, when the last cycle of state government shortfalls began. The study's findings include:

- Effective tax burdens rose across the board, but they increased far more heavily on the low- and middle-incomes than on those with the highest incomes.
- Substantial increases in the state and local sales taxes and rises in excise taxes drove up tax burdens on the poor and middle class.
- The elimination of the deduction for federal income tax paid and higher tax rates overall raised income tax burdens on higher-earning Kansans.

"Low- and moderate-income Kansans were forced to take the money they saved from cuts in income taxes and pay it right back in higher sales and excise taxes," said McIntyre. "As lawmakers consider budget-balancing strategies in 2003, they should remember that their past actions have served to shift a greater share of the tax burden onto low-income taxpayers."

Two pages of tables detailing the Kansas findings of the study follow

The Institute on Taxation and Economic Policy is a nonpartisan Washington-based research group. The full *Who Pays?* report is available in PDF format at www.itepnet.org. Printed copies can be ordered by calling ITEP at 202-737-4315.

Who Pays? examines the tax systems of all 50 states and the District of Columbia, using the Institute on Taxation & Economic Policy Microsimulation Tax Model. The ITEP Model is similar in methodology and data sources to the elaborate computer models used by the U.S. Treasury and the congressional Joint Committee on Taxation, except that the ITEP Model adds state-by-state estimating capabilities.

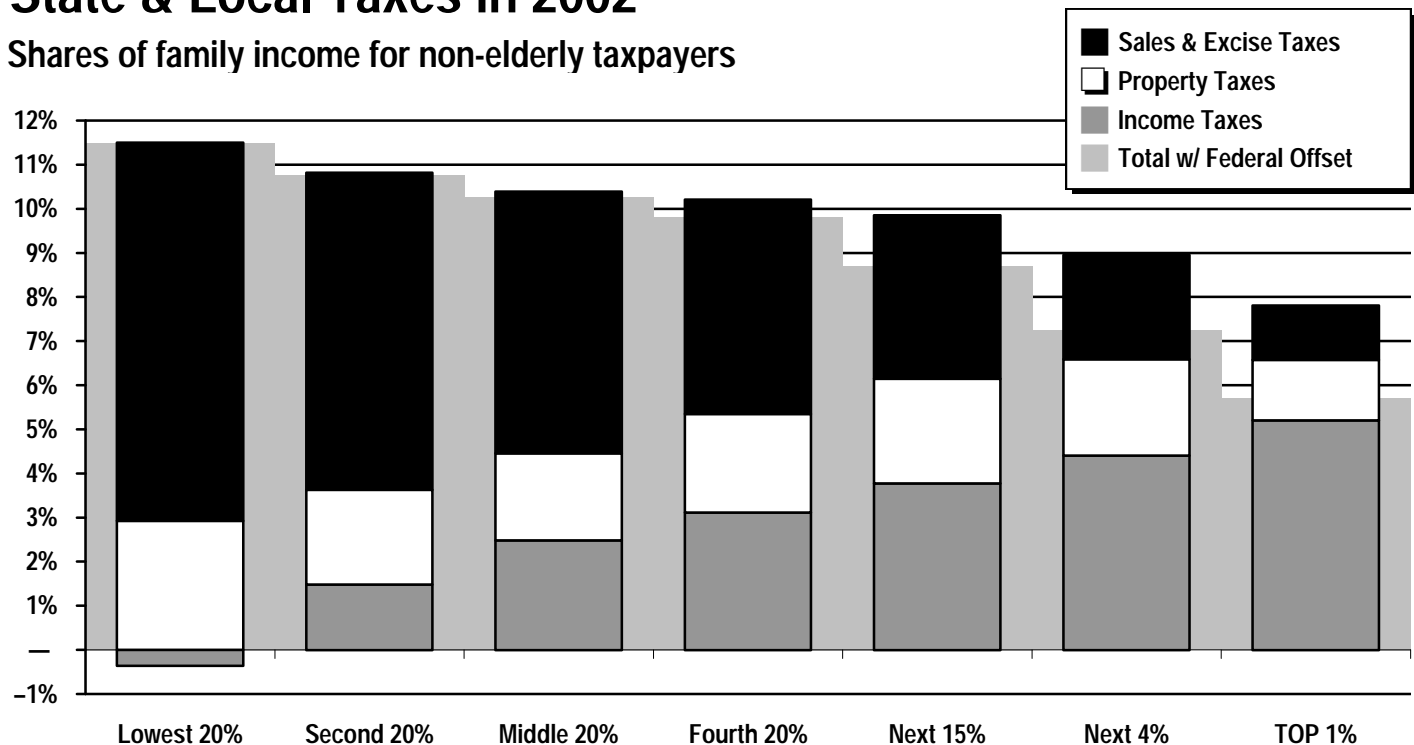
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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Kansas

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$69,000	\$69,000 – \$126,000	\$126,000 – \$292,000	\$292,000 or more
Average Income in Group	\$8,600	\$20,200	\$34,900	\$55,400	\$89,300	\$175,000	\$781,000
Sales & Excise Taxes	8.8%	7.2%	5.9%	4.9%	3.7%	2.4%	1.2%
General Sales—Individuals	4.9%	4.3%	3.7%	3.2%	2.5%	1.6%	0.9%
Other Sales & Excise—Ind.	1.9%	1.3%	0.9%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.0%	1.7%	1.4%	1.1%	0.8%	0.5%	0.3%
Property Taxes	3.0%	2.1%	2.0%	2.2%	2.4%	2.2%	1.4%
Property Taxes on Families	2.9%	2.1%	1.9%	2.1%	2.2%	1.8%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%	0.7%
Income Taxes	-0.3%	1.5%	2.5%	3.1%	3.8%	4.5%	5.4%
Personal Income Tax	-0.4%	1.5%	2.5%	3.1%	3.8%	4.4%	5.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
TOTAL TAXES	11.5%	10.8%	10.4%	10.2%	9.9%	9.0%	8.0%
Federal Deduction Offset	—	-0.1%	-0.1%	-0.4%	-1.2%	-1.8%	-2.2%
TOTAL AFTER OFFSET	11.5%	10.8%	10.3%	9.8%	8.7%	7.2%	5.7%

Note: Table shows 2002 tax law at 2000 income levels.

Kansas Tax Trends

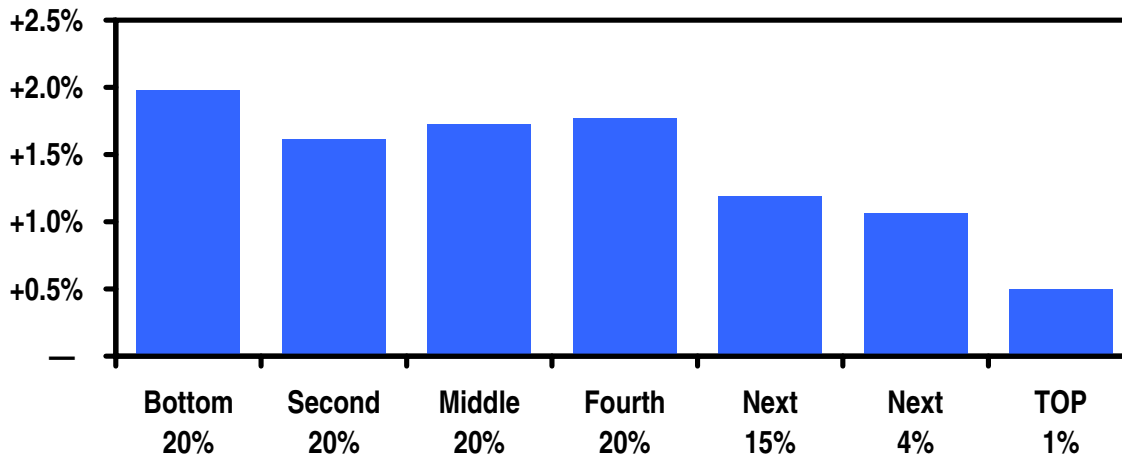
Progressive Features

- ✓ Refundable EITC
- ✓ Low income property tax circuit breaker

Regressive Features

- ✗ Groceries subject to sales tax

Changes in Taxes as Shares of Income, 1989 – 2002

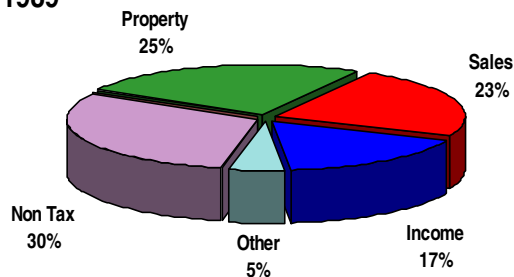


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+2.7%	+2.0%	+1.6%	+1.3%	+1.0%	+0.6%	+0.3%
Property	+0.3%	-0.1%	-0.3%	-0.3%	-0.6%	-0.4%	-0.2%
Income	-1.1%	-0.4%	+0.3%	+0.8%	+1.0%	+1.3%	+1.3%
Federal Offset	+0.0%	-0.0%	+0.0%	-0.0%	-0.2%	-0.5%	-0.9%
Overall Change	+2.0%	+1.6%	+1.7%	+1.8%	+1.2%	+1.1%	+0.5%

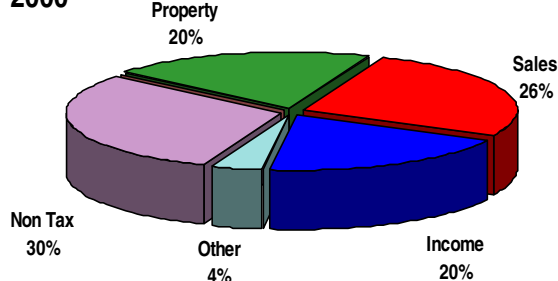
Kansas has moved toward a more progressive system by enacting a 15% refundable EITC, eliminating the federal tax deduction, and adopting a new low-income food sales tax credit. The flatter rate structure has mitigated the overall progressive changes but the income tax is more progressive in 2002 than it was in 1989. These changes and the scaling back of the car tax however were not enough to offset regressive hikes in the general sales tax and the cigarette tax.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census