Tax Policy Lessons from Kansas

Economic Perspectives on State and Local Taxes

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Center on Budget and Policy Priorities


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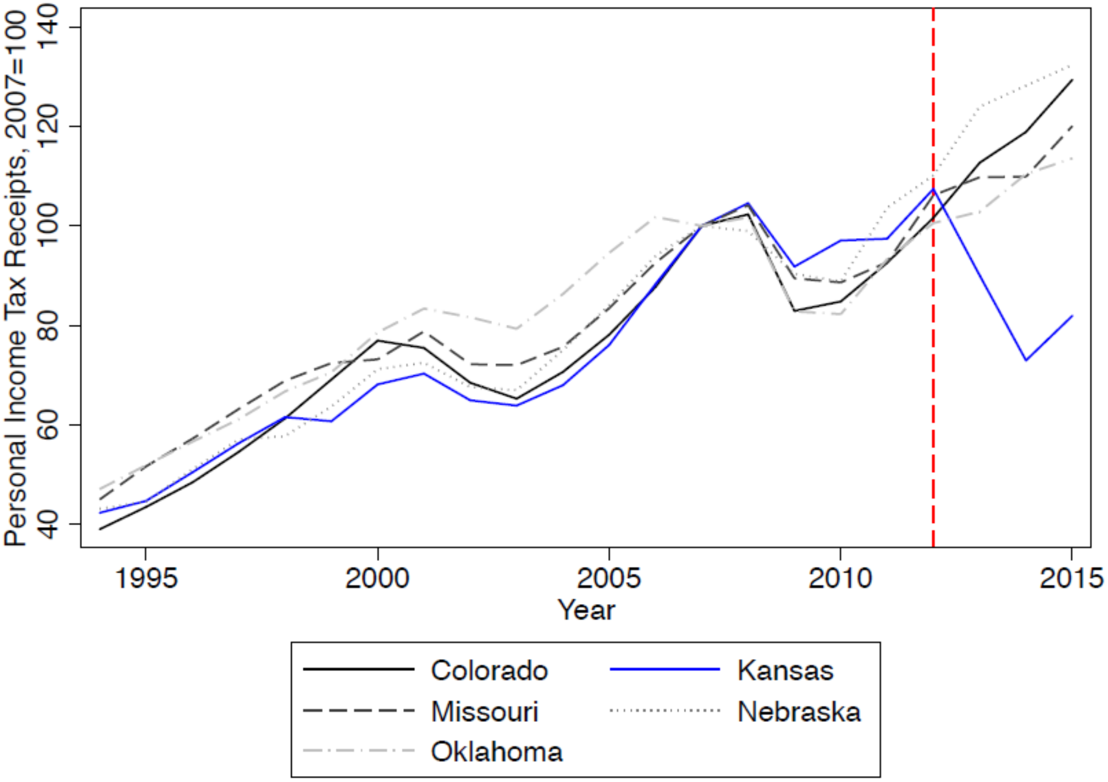
Kansas
Welcomes You!

Personal Income Tax Revenue, Kansas and Surrounding States, 1994-2015



Source: Nelson A. Rockefeller Institute of Government; DeBacker, Jason Matthew and Heim, Bradley and Ramnath, Shanthi and Ross, Justin M., “The Impact of State Taxes on Pass-Through Businesses: Evidence from the 2012 Kansas Income Tax Reform” (September 1, 2017). Available at SSRN: https://ssrn.com/abstract=2958353 or http://dx.doi.org/10.2139/ssrn.2958353

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“Our new pro-growth tax policy will be like a **shot of adrenaline** into the heart of the Kansas economy.”

-- Gov. Sam Brownback, 2013

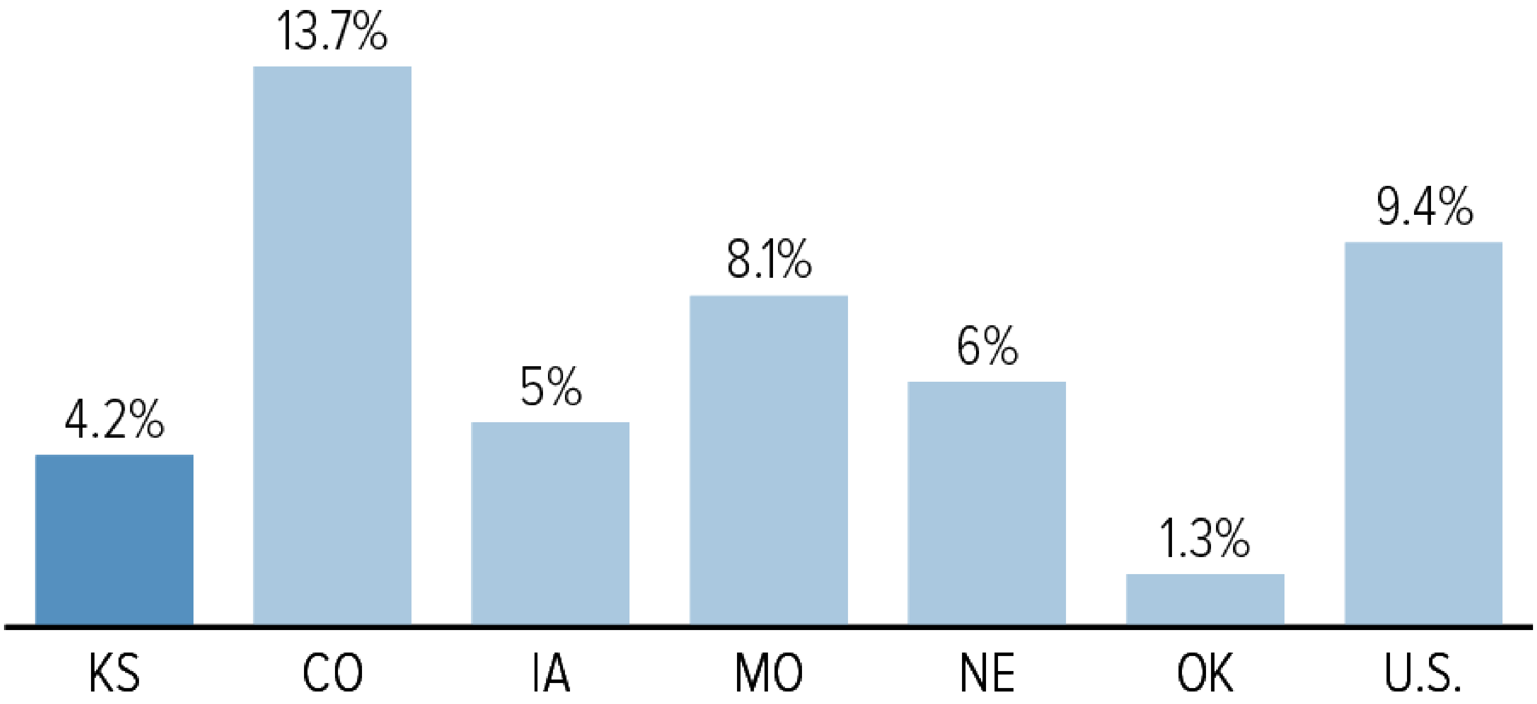
Kansas and Its Neighbors

Table A.2: Average Sector Share of Employment (2010-2011)

Industry	Oklahoma	Nebraska	Missouri	Colorado	Kansas
Agriculture	0.1%	0.1%	0.1%	0.1%	0.1%
Mining, Oil, Gas	3.6%	0.1%	0.2%	1.2%	0.8%
Utilities	0.7%	0.0%	0.7%	0.5%	0.6%
Construction	5.1%	4.9%	4.6%	6.1%	4.9%
Manufacturing	9.8%	11.5%	10.5%	5.9%	13.9%
Trade, Transp, Warehouse	4.6%	5.1%	5.2%	4.6%	5.4%
FIRE, Professional	23.3%	27.3%	25.2%	32.3%	23.4%
Education Services	1.5%	2.4%	3.2%	2.2%	1.7%
Health Care	16.8%	15.4%	16.7%	12.9%	16.8%
Leisure, Hospitality, Other	17.5%	14.8%	16.7%	18.9%	15.1%

Source: BLS; DeBacker et al.

Private-Sector Job Growth: Kansas Lagged Most Neighbors and U.S After Cutting Taxes, 2012-2017

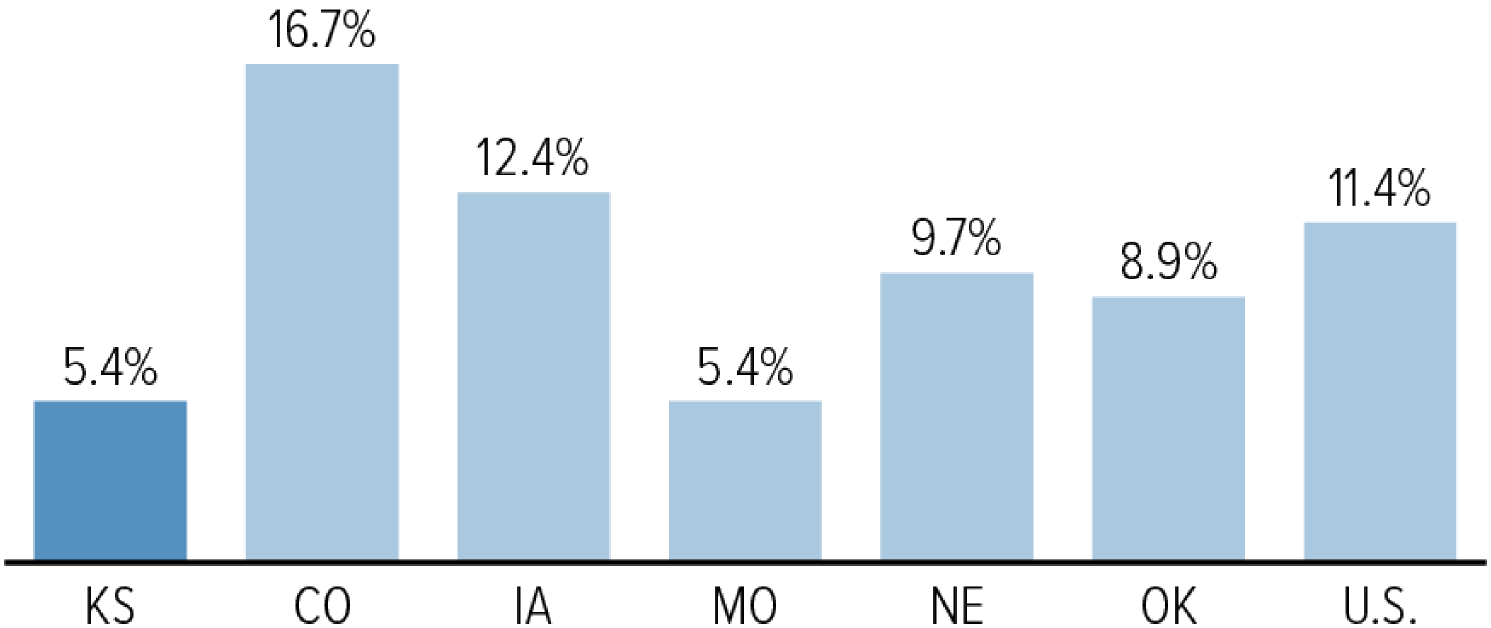


Note: Data cover December 2012 (the month before the tax cuts took effect) to May 2017 (the month before they were scaled back).

Source: Bureau of Labor Statistics, 2017

Economic Growth: Kansas Lagged All Its Neighbors and U.S. After Cutting Taxes

Growth in inflation-adjusted private-sector gross domestic product, 2012 -2017

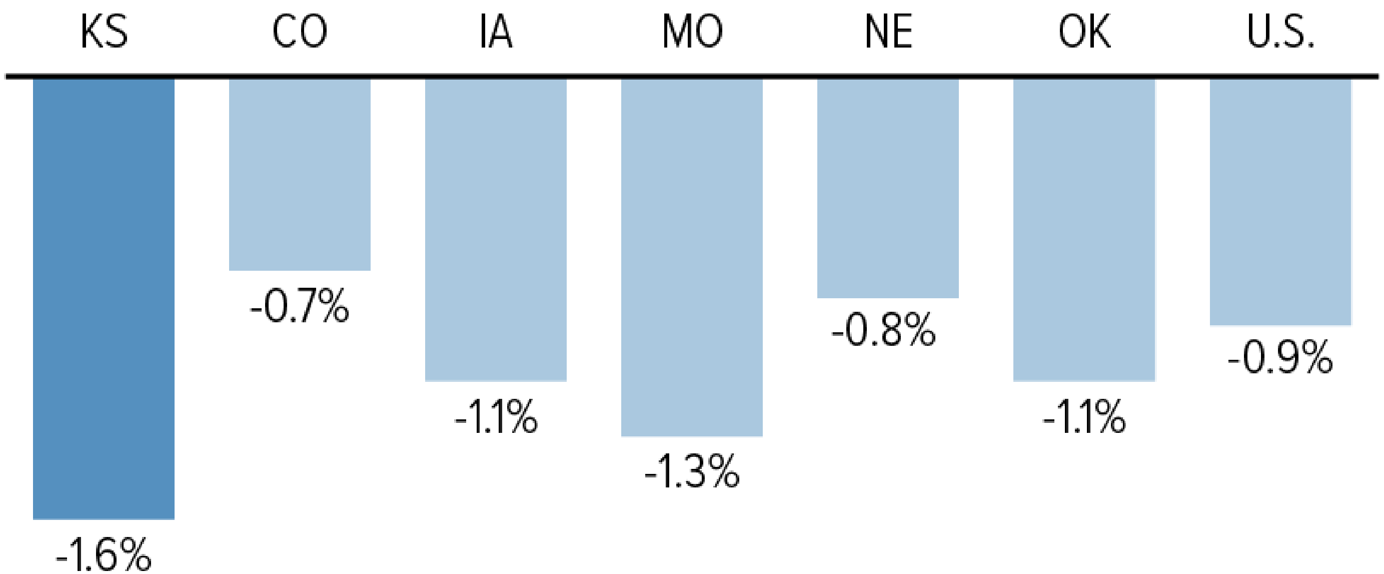


Note: Data cover fourth quarter 2012 (the quarter before the Kansas tax cuts took effect) to second quarter 2017 (the quarter in which the tax cuts were scaled back).

Source: Bureau of Economic Analysis, 2017

Labor Force Participation: Kansas Fell More Than All Neighbors and U.S. After Cutting Taxes

Percent change in labor force participation rate among adults aged 20-64, 2012 - 2015



Note: Labor force participation = share of adults who are working or looking for work.

Source: American Community Survey, 2017

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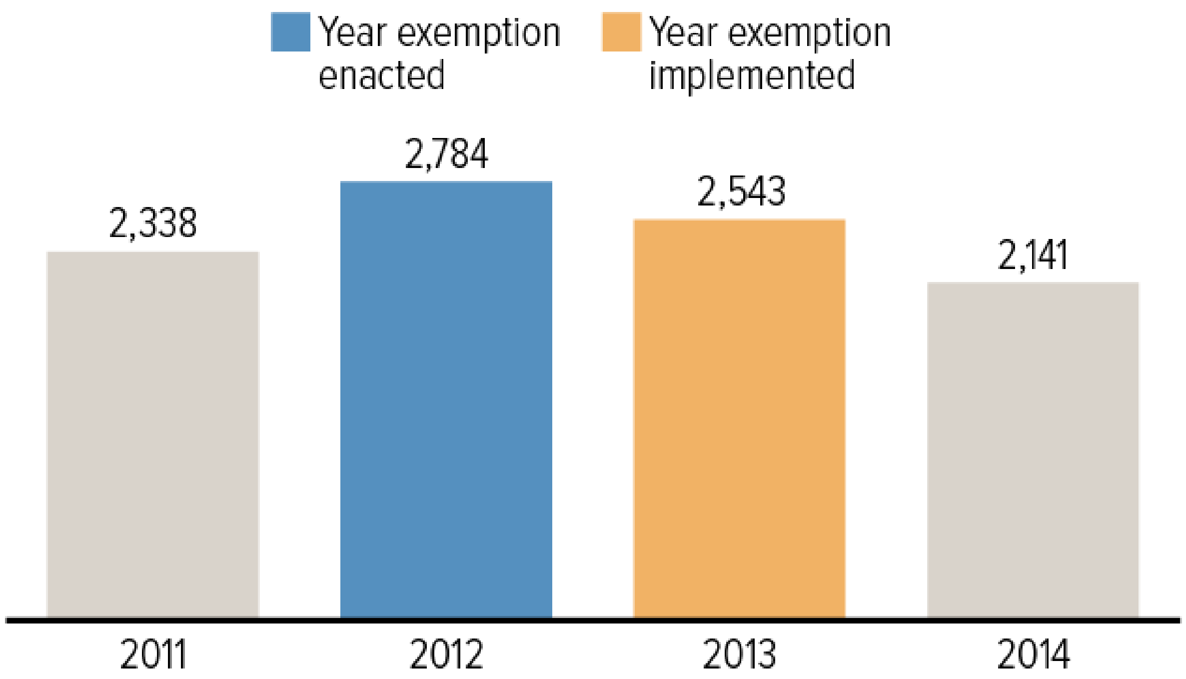
Number of Kansas Pass-Throughs Rose Only Temporarily After Tax Exemption Enacted

Number of new Kansas pass-through businesses created

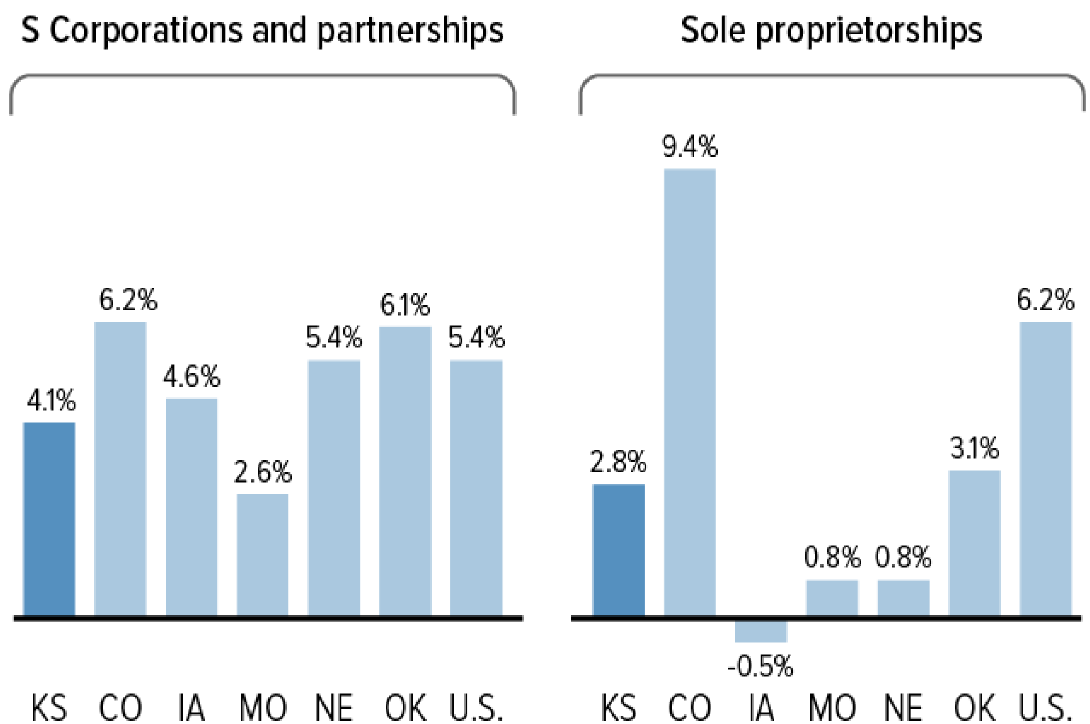


Note: Excludes sole proprietorships.

Source: Kansas Department of Revenue, "Governor's Consensus Revenue Estimating Working Group Final Recommendations," October 4, 2016

Growth in New Business Owners: Kansas Lagged Most Neighbors and U.S. After Cutting Taxes

Growth in number of federal tax returns reporting income from pass-throughs, 2012 -2015



Note: Pass-through businesses are firms whose owners report their profits on their individual income tax returns. Includes limited liability companies (LLCs).

Source: Internal Revenue Service, Statistics of Income

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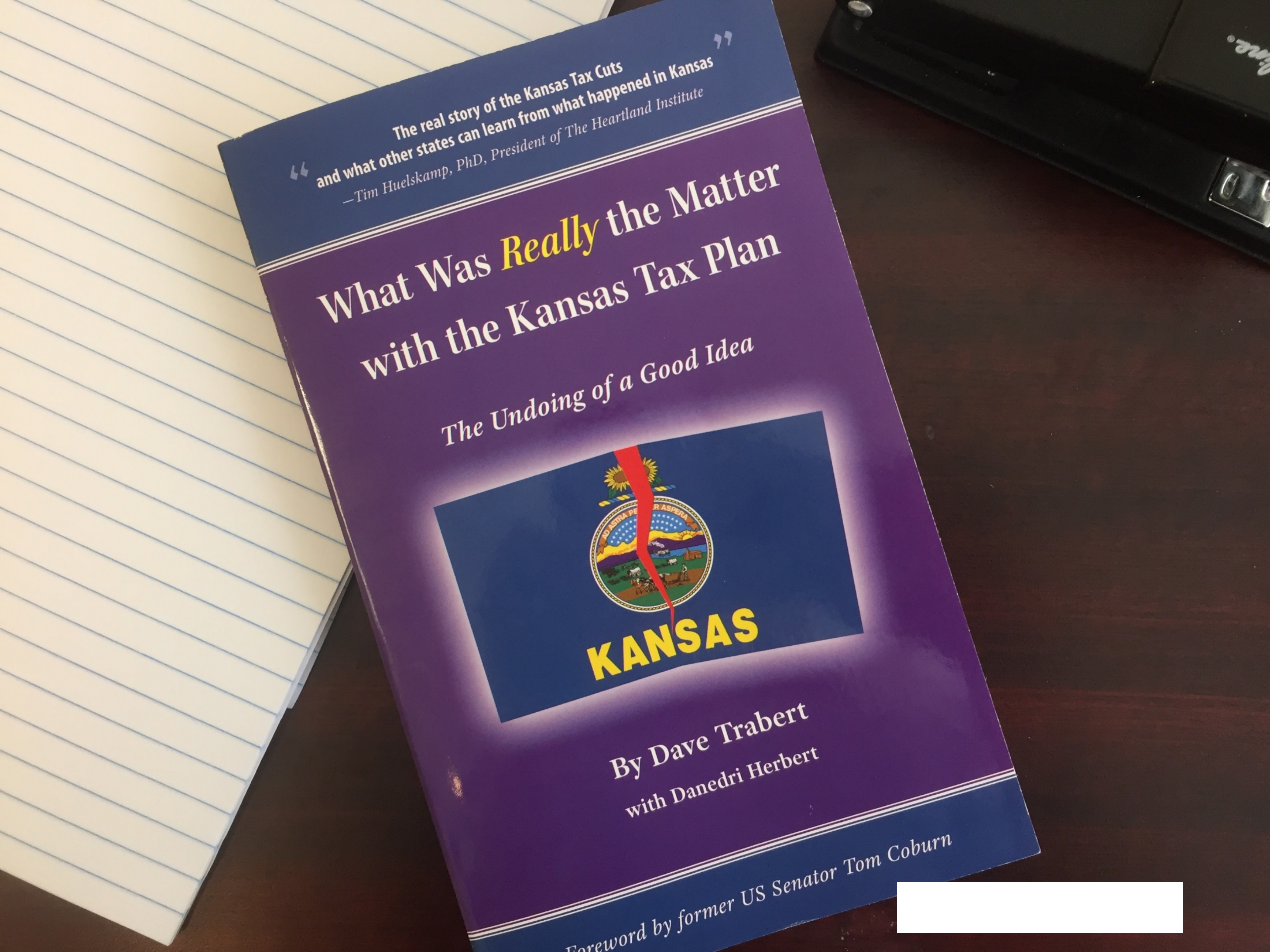
"The real story of the Kansas Tax Cuts
and what other states can learn from what happened in Kansas"
—Tim Huelskamp, PhD, President of The Heartland Institute
What Was Really the Matter
with the Kansas Tax Plan
The Undoing of a Good Idea
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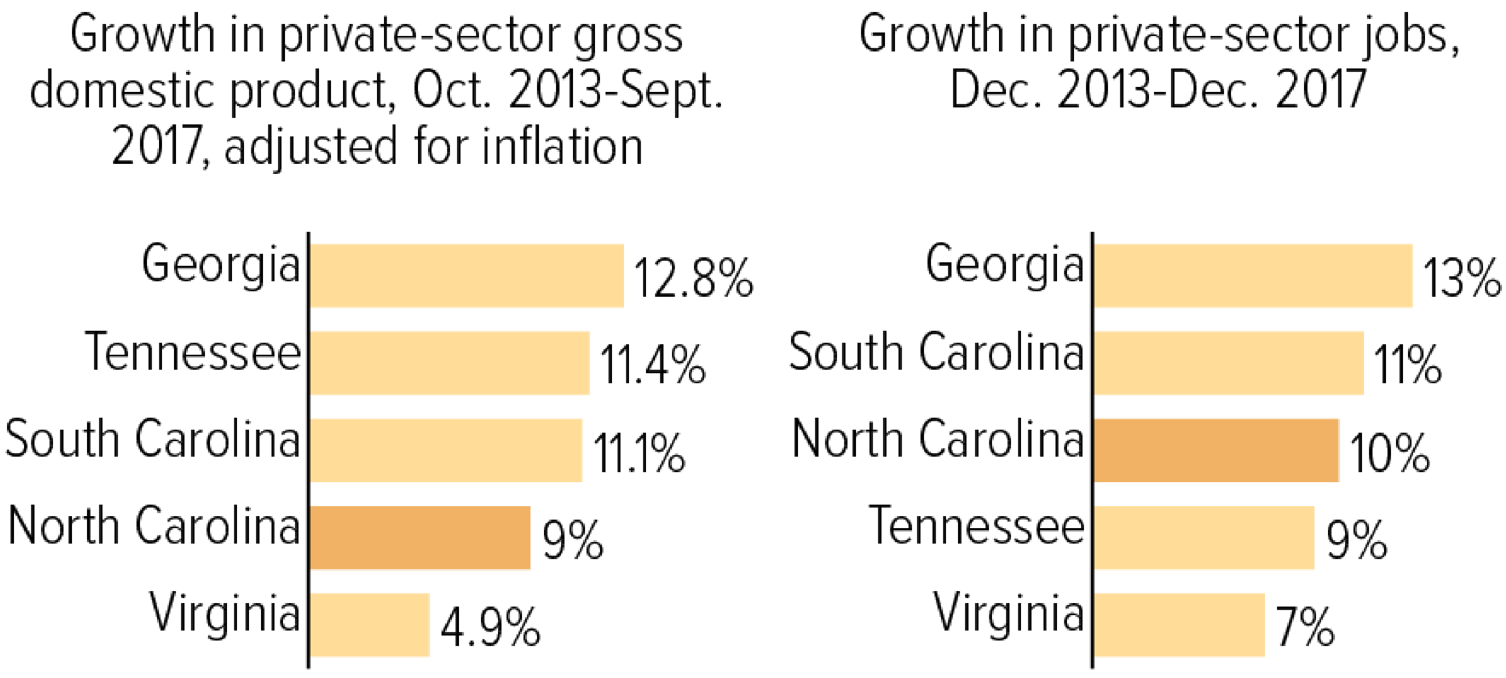
KANSAS
By Dave Trabert
with Danedri Herbert
Foreword by former US Senator Tom Coburn

North Carolina Economic Growth Since Cutting Taxes, Compared to Neighbors



Source: Bureau of Economic Analysis and Bureau of Labor Statistics

A Blueprint for Building Thriving State Economies

Smart state fiscal policies can help create jobs now, boost incomes, promote equity, and prime states for long-term prosperity.

1 Unleash Potential by Investing in Education and Health

- Implement proven school reforms
- Expand access to higher education and job training
- Expand access to affordable health care

2 Launch Public Infrastructure Projects for Jobs and Equity

- Build and restore roads, public transit, and water systems
- Repair and build schools

3 Boost Household Incomes

- Raise working families' earnings
- Buoy individuals and families facing major barriers to work
- Reduce the number of adults and youth behind bars
- Let immigrants contribute fully

- Get rid of ineffective, special-interest tax breaks
- Modernize state sales taxes

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