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January 14, 2015

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New Analysis: Low-Income Taxpayers in Kansas Pay More Than Twice the Tax Rate Paid by the Richest Kansans

TOPEKA – A new study released today by the Institute on Taxation and Economic Policy (ITEP) and the Kansas Center for Economic Growth finds that the lowest income Kansans pay 11.1 percent—or greater than two times—more in taxes as a percent of their income compared to the state's wealthiest residents.

The study, *Who Pays?,* analyzes tax systems in all 50 states and factors in all major state and local taxes, including personal and corporate income taxes, property taxes, sales and other excise taxes. While Kansas once enjoyed a greater number of progressive features in its tax system—for example, a refundable tax credit to off-set sales tax on groceries and a child care credit for Kansas families—the tax cuts of 2012 and 2013 eliminated those important features.

"This new report underscores that the unaffordable tax cuts Kansas lawmakers passed are leaving hard working, low-income Kansas families struggling, as well as gutting critical revenue for important investments across the state," said Annie McKay, executive director of the Kansas Center for Economic Growth.

Kansas' tax system is considered regressive because the lower one's income, the higher one's tax rate. This is in part because Kansas, like most other states, relies more heavily on sales taxes to raise revenue and relies less on personal income taxes, which tend to be more progressive (meaning the higher one's income, the higher one's effective personal income tax rate).

While Kansas once enjoyed a more balanced tax structure that spread the responsibility more evenly across sources—property, sales and income taxes—and earners, the unprecedented cuts made in 2012 and 2013 have moved Kansas into the top 10 for most regressive state tax structures.

How Kansas taxes its residents matters for myriad reasons. In recent years, anti-tax advocates have pushed for tax policies across the country that would reduce tax rates for the wealthy and for businesses—similar to the unprecedented cuts Kansas policymakers made in 2012 and 2013. Many anti-tax proposals would make regressive tax structures even worse—in part because they often rely on hiking taxes that fall more heavily on poor and middle-income families to pay for tax cuts at the top. Second, aggressive tax cuts that favor businesses and the wealthy can result in states having difficulty funding basic public obligations such as education—difficulties Kansas is all too familiar with after having to make mid-year budget cuts and facing large revenue losses in the next two years.

There's also a more practical reason for Kansas and all states to be concerned about regressive tax structures, according to ITEP. If the nation fails to address its growing income inequality problem, states will have difficulty raising the revenue they need over time. The more income that goes to the wealthy (and the lower a state's tax rate on the wealthy), the slower a state's revenue grows over time.

"In recent years, multiple studies have revealed the growing chasm between the wealthy and everyone else," said Matt Gardner, executive director of ITEP. "Upside down state tax systems didn't cause the growing income divide, but they certainly exacerbate the problem. State policymakers shouldn't wring their hands or ignore the problem. They should thoroughly explore and enact tax reform policies that will make their tax systems fairer."

The report is available online at www.whopays.org.

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The Kansas Center for Economic Growth is a nonprofit, nonpartisan organization that conducts research and analysis to advance state policies that help ensure all Kansans prosper. For more information, visit www.realprosperityks.com

The Institute on Taxation and Economic Policy (ITEP) is a 501 (c) (3) non-profit, non-partisan research organization that works on federal, state and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. For more information, visit www.itep.org.