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CBPP STATEMENT

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HIGHER PROPERTY AND SALES TAXES LIKELY IF KANSAS ELIMINATES INCOME TAX

Eliminating Income Tax Would Also Hurt Struggling Economy, New Report Finds

Kansans likely would face higher sales and property taxes if the state legislature moves forward with efforts to eliminate the state income tax, according to a report released today by the Center on Budget and Policy Priorities, a non-partisan policy research organization based in Washington, DC.

Elimination of the state income tax also would undermine the Kansas economy by jeopardizing investments in education, transportation, and safe communities. Kansas's income tax is a major source of funding for these services, which form the building blocks of a strong economy.

"If Kansas gets rid of the income tax the state will likely find itself both raising other taxes on middle- and low-income families and making massive cuts to vital services that will badly damage the state's economy," said Erica Williams, policy analyst and co-author of the report.

Report: States That Don't Levy an Income Tax Rely More Heavily on Other Taxes

The report compared sales taxes and property taxes in states without an income tax to the national average as well as to those taxes in three states considering severely cutting or eliminating their income taxes, including Kansas.

On average, individuals and businesses in states with no income tax pay higher sales or property taxes than the national average, the report found.

States without an income tax had property taxes that were, on average, 12 percent higher per capita and 8 percent higher as a share of personal income than the national average, 2009 U.S. Census Bureau data show. They were also higher than in Kansas, on average.

Sales taxes in the no-income-tax states were 21 percent higher per capita and 18 percent higher as a share of personal income than the national average. And they were higher than sales taxes in Kansas as well.

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Higher Property Taxes and Sales Taxes Can't Fill the Gap, Will Hurt Businesses, Low- and Middle-Income Families

Even with higher property taxes and sales taxes, Kansas likely would be unable to maintain critical economic investments in education, infrastructure, and safe communities.

In addition, higher sales and property taxes will disproportionately affect Kansas's low- and moderate-income families, as well as businesses.

Families with moderate and low incomes pay more sales and property taxes, as a share of their incomes, than higher-income families because they spend a higher portion of their earnings on taxable goods and housing.

In every state, a substantial share of sales taxes comes from business-to-business purchases, and a large share of property taxes are paid directly by businesses too. Any reduction in income tax on business profits is likely to be offset, at least in part, by higher taxes on business purchases and on agricultural and commercial property.

The full report, *Without a State Income Tax, Other Taxes Are Higher,* is available at http://www.cbpp.org/cms/index.cfm?fa=view&id=3718.

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