

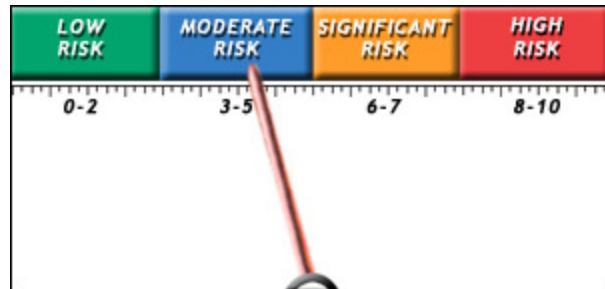


# CENTER ON BUDGET AND POLICY PRIORITIES

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## KANSAS

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Kansas is rated as having a moderate risk of a structural deficit based on its score of five on the risk scale for structural deficits.



- In Kansas, corporate income taxes as a share of total taxes declined by 9.3 percentage points from 1979-2002, surpassing the US average decline of 5.5 percentage points.
- Kansas could lose an estimated \$215 to \$337 million in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- During 1994-2000, Kansas reduced its personal income and corporate income taxes. Then during 2001-2004, it increased its sales tax, cigarette tax, motor fuel tax, and, to a lesser extent, its corporate income tax. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.
- Kansas remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$56.7 million per year.
- Two other national studies (Hovey 1998 and Besendorf & Kottlikoff 2002) found that Kansas has a structural gap.
- Lastly, although this paper did not categorize Kansas as having unusually high spending needs, it does face some spending pressure from the number of students with special needs.