
Financing Government
or
Where has all the Money Gone?



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Kansas Secretary of Revenue
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Financing State Government
just became more difficult with
the recent revenue estimates...



Allotments reduced budgeted
expenditures an additional \$259 million

FY 2010

- Reduced income by \$235.2 million
- 4.2 percent below the previous estimate
- The revised estimate is \$5.301 billion;
- 5.1 percent decrease below final FY 2009 receipts.

FY2011

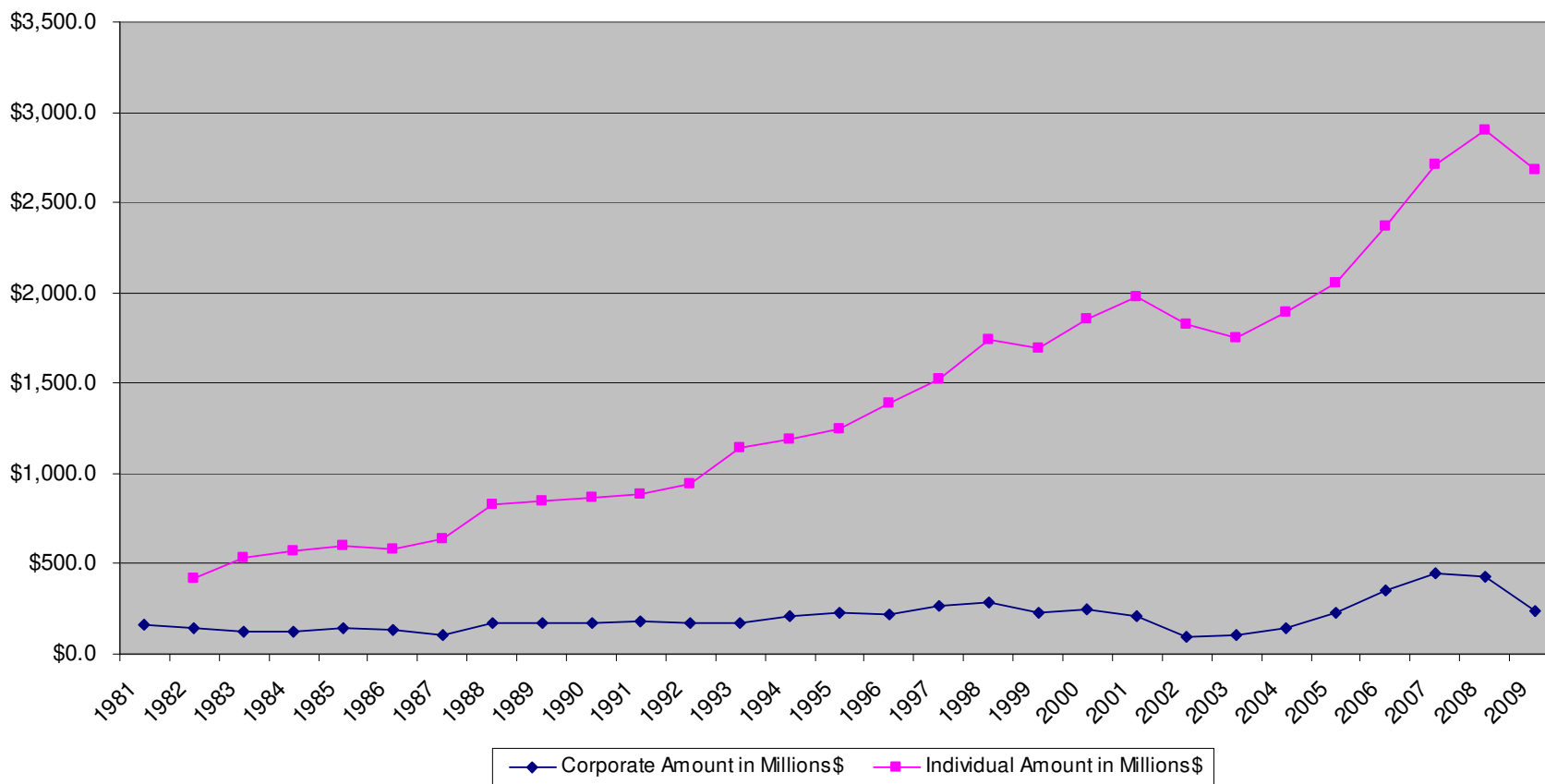
- Further reduced income by \$122.2 million
 - 2.3 percent, below the newly revised FY 2010 figure
 - The initial estimate for FY 2011 is \$5.179 billion,
 - 2.3% decrease from 2010
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Prior Tax Decisions Impacted Future Budgets

- ❑ Legislation in 2006 eliminated the Kansas estate tax as of 2010.
 - Reduce receipts by an estimated \$47 million in 2011 and \$52 million in 2012.
 - ❑ Franchise tax phased out.
 - Reduce receipts by \$37 million in FY2011 and \$48 million in FY 2012.
 - ❑ Legislation enacted in 2005 will reduce severance tax receipts to SGF by;
 - \$6.3 million in FY 2011 and \$10.7 million in FY 2012 and \$13.4 million in FY 2013.
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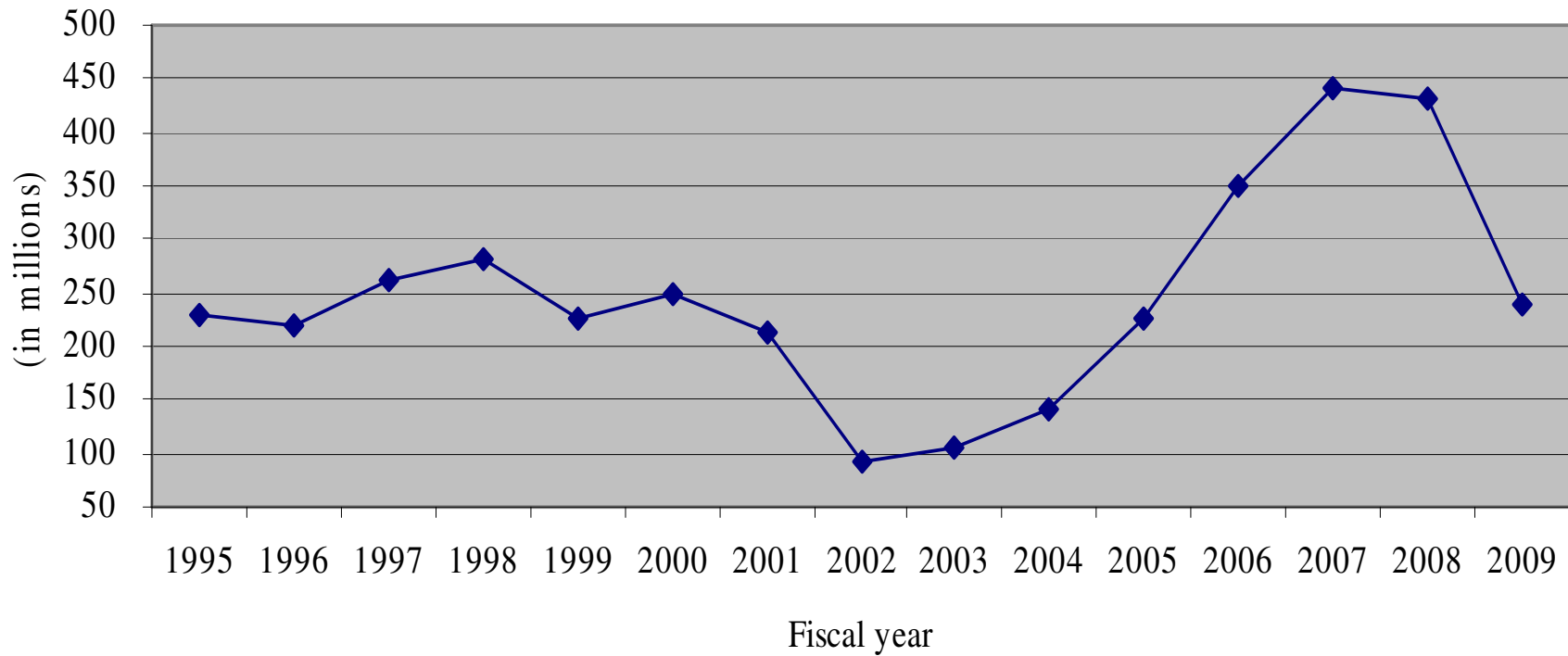
The Long View of Tax Trends

Individual and Corporate



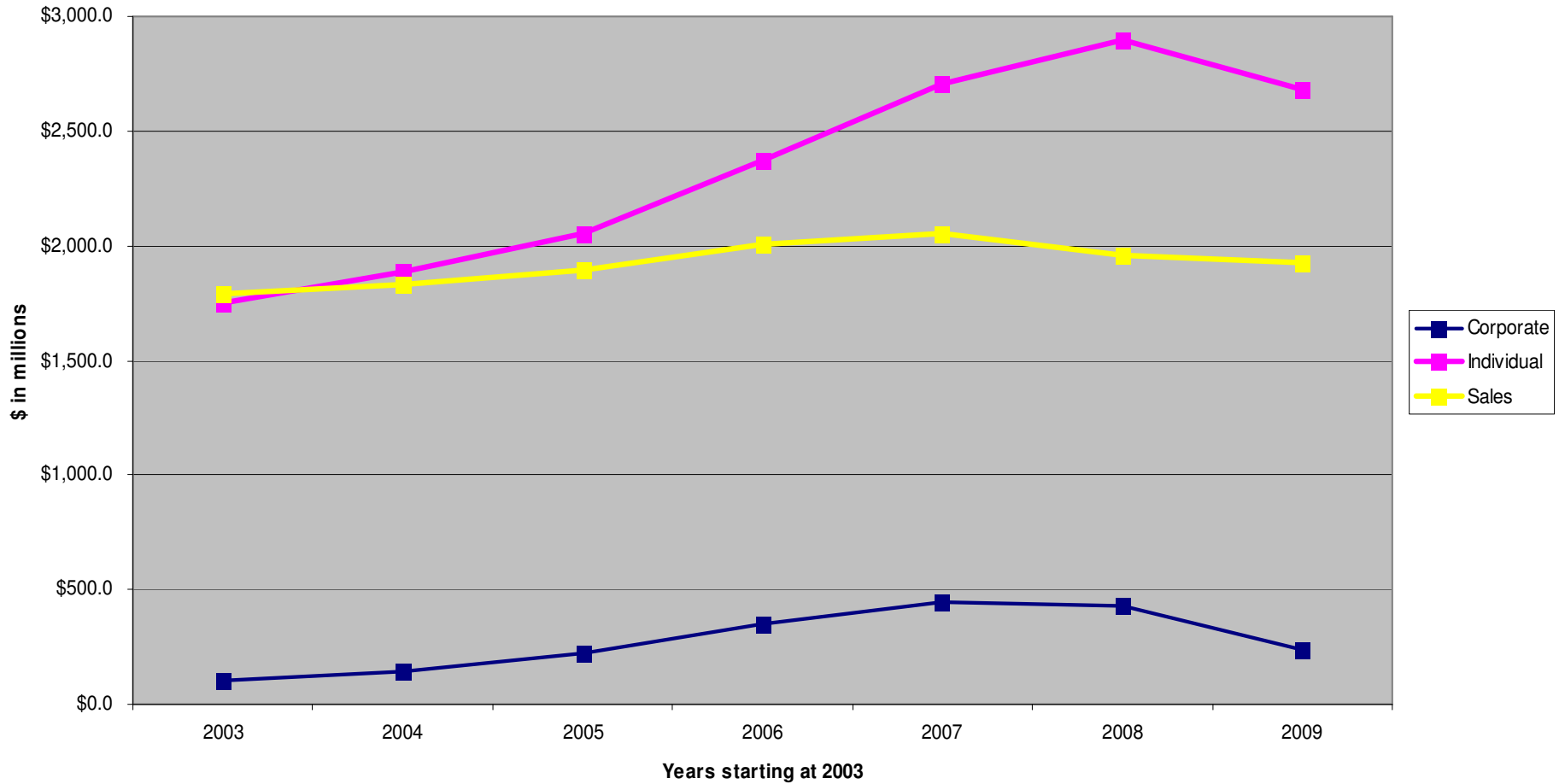
The Rollercoaster:

Corporate Income Tax - State General Fund
Fiscal Years 1995-2009



Major tax sources

Income, Sales and Corporate Taxes



The Eroding Tax Base, or
“Where did the Money Go?”



How Tax Bases Erode

- Exemptions
 - Tax Credits
 - Economic Shifts, ie. consumption and business practices; e-commerce, services
 - Policy Shifts
 - Tax Credits
 - STAR bonds, TIF's
 - IRB's, EDX's, - other abatements- exemptions
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Where did the Money Go?

- General property tax and personal property tax reductions -- **\$602 million** in FY2009.
 - Changes/reductions Income taxes -- **\$298.7 million**
 - Sales tax exemptions -- **\$116 million.**
 - Cumulative since FY1995 thru FY 2009, -- **\$10.9 billion**
 - **\$1 billion** in FY2009.
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What does the future hold if the present trends continue?

- Continued Erosion of the Tax Base
 - Higher Rates
 - Less Equity among Taxpayers
 - Less Competitiveness with other States
 - More Taxpayer Discontent
 - More Special Tax Legislation which further erodes the Tax Base, ...and on...and on...
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Tax Policy Recommendations

- Advocates and Legislators should utilize the Policy Evaluation Guide when exemptions or credits are proposed
 - Enact a moratorium for 3 years on all credits and tax exemptions.
 - Institute a Sunset Review on all sales and property tax exemptions.
 - Restructure the financing of local government services
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