

## Estimating the Tax Base: Kansas Property and Sale Taxes\*

### Purpose

- A broad tax base allows a low rate to achieve the stated revenue goals.
- All exemptions and exclusions to a tax base should be subject to systematic, continuing review
- Therefore, it is important for tax policy to know the estimated total value of the tax base and the impact of deviations from this tax base.

### Property Tax Base

- The property tax was originally intended to be a tax on the stock of wealth, in essence all property – real and personal, tangible and intangible. The framers of the Kansas Constitution provided exemptions only for public, educational, and charitable purposes, plus a \$200 exemption of personal property per family. A comprehensive property tax with few exemptions was believed to be the most equitable form of taxation.
- Estimating the property tax base without any exemptions or other legal deviations from market value is an exercise that permits the discussion to return to the original concept of a “uniform and equal” property tax on all property, including the original constitutional exemptions. Although no previous attempt to estimate this total “theoretical” property tax base in Kansas could be found, an admittedly imprecise initial estimate was derived based on a series of estimating assumptions.
- The result, as shown in [Figure 1](#), reveals that the Kansas constitution and statutes currently exempt or otherwise do not tax approximately 93 percent of the estimated total tax base. The current classifications account for part of this deviation from uniform and equal. Taxing all property would encompass the following types of assets current untaxed: the difference between the currently allowed agricultural use value and full market value; tangible personal property, including household goods, business inventories, and farm equipment and animals; and personal and business intangible personal property including bank account balances, securities holdings, and other intangible assets.
- *In summary, Kansas taxes an estimated 7 percent of the total possible property tax base. Any future exemptions would further reduce the tax base.*

### Sales Tax Base

- Although the sales tax is generally perceived by many to be a broad-based tax on final consumption, generally it is neither broad-based nor limited to final household consumption. In practice, the tax applies to a number of purchases for use in production, such as machinery and equipment. Moreover, there are numerous exemptions embedded in state law.
- Professor John Wong estimates that the Kansas retail sales and use tax does not tax approximately 76 percent of the estimated total tax base (see [Figure 2](#)). Taxing all sales and use activity would require the removal of all existing exemptions in state law, taxing services broadly, and capturing remote sales through a more effective use tax.
- *In summary, Kansas taxes an estimated 24 percent of the total possible sales and use tax base. Any future exemptions would further reduce the tax base.*

---

\* Based on the work by professors Bart Hildreth (property tax pie), Glenn Fisher (property tax erosion) and John Wong (sales tax pie) associated with the Kansas Public Finance Center at Wichita State University (phone: 316-978-6332). Date of this summary: September 11, 2006.

Figure 1:

**Total Estimated Market Value of Real and Personal Property in Kansas**

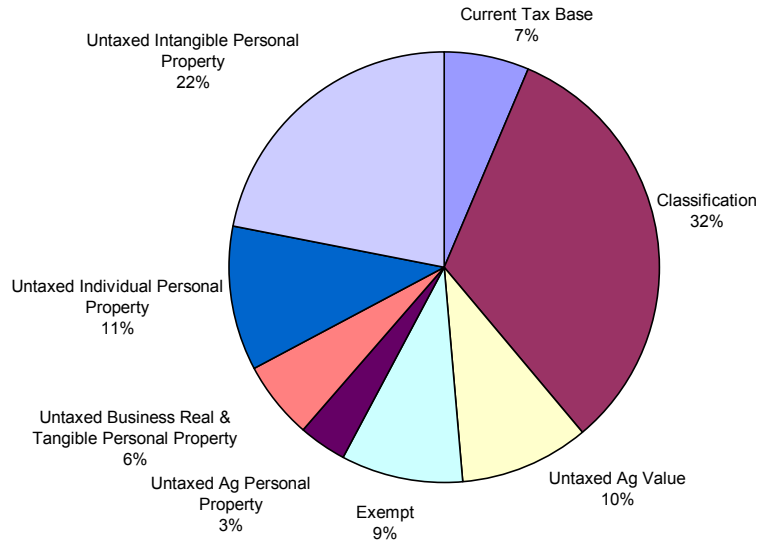


Figure 2:

**Total Estimated Sales and Use Tax Base in Kansas**

