

*TAX  
EXPENDITURE  
REPORT*

*Calendar Year 2008*

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## **Introduction**

The Kansas Department of Revenue has compiled this report to indicate the fiscal impact of exemptions, credits, deductions, modifications, and exclusions relating to the following taxes and programs:

- Individual, Fiduciary and Corporate Income, Privilege Taxes;
- Retailers' Sales Tax Exemptions;
- Mineral Taxes;
- Motor Fuel Taxes;
- Homestead;
- Food Sales Tax Refund; and
- Kansas IMPACT.

This report shall be a working document. It is our hope and intention that this report will continue to develop and provide information to the Governor, Kansas Legislature and the citizens of the state of Kansas to allow for the making of informative analysis and decisions.

This report covers expenditures for the calendar year of 2008.

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**TAX EXPENDITURE REPORT  
SUMMARY**

<b>PROGRAM</b>	<b>TAX EXPENDITURE</b>
Kansas Addition/Subtraction Modifications (PY 2008-Income & Privilege)	(\$60,579,982)
Kansas Tax Deductions (PY 2008-Income & Privilege)	(\$1,007,256,165)
Kansas Tax Credits (PY 2008 Income & Privilege)	(\$540,073,265)
Kansas Sales Tax Exemptions (FY 2009)	(\$4,326,820,000)
Mineral Tax (FY 2009)	(\$204,648,739)
Motor Fuel Tax (CY 2008-Diesel, Gas, Gasohol)	(\$490,660,133)
Homestead Refund Program (FY 2009)	(\$32,818,510)
Food Sales Tax Refund Program (PY 2008)	(\$41,231,265)
IMPACT (FY 2009)	(\$16,740,570)
	(\$6,720,828,629)

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

## INDIVIDUAL INCOME TAX

**Year Enacted:** 1933  
**Statutory Citation:** K.S.A. Chapter 79, Article 32

A Kansas resident is required to file an individual income tax return if:

- They are required to file a federal income tax return, or
- Their Kansas adjusted gross income is more than the total of their Kansas standard deduction and exemption allowance.

The Kansas income tax is imposed on the entire income of every resident individual. Nonresidents of Kansas are taxed on income derived from Kansas sources.

Kansas begins its individual income tax calculation with federal adjusted gross income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce adjusted gross income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal adjusted gross income. Kansas law allows a taxpayer to claim a standard deduction or itemized deductions and allows for a personal exemption deduction.

For process year 2008, tax year 2007, Kansas income tax was imposed as follows:

### Schedule I-Married Filing Joint

If Kansas taxable income is:

Over	But Not Over	The Tax is:
\$0	\$30,000	3.50% of Kansas taxable income
\$30,000	\$60,000	\$1,050 + 6.25% of excess over \$30,000
\$60,000		\$2,925 + 6.45% of excess over \$60,000

### Schedule II-Single, Head of Household, or Married Filing Separate

If Kansas taxable income is:

Over	But Not Over	The Tax is:
\$0	\$15,000	3.50% of Kansas taxable income
\$15,000	\$30,000	\$525 + 6.25% of excess over \$15,000
\$30,000		\$1,462.50 + 6.45% of excess over \$30,000

Modifications and deductions have been separately stated according to resident filers and nonresident filers. Nonresident filers of Kansas in many cases have a small percentage of income from Kansas sources. As a nonresident, a taxpayer must apply a nonresident percentage to come up with an actual Kansas tax liability. The tax expenditures presented for nonresident filers apply this percentage in order to provide the reader with truer cost of expenditures associated with these filers.

## FIDUCIARY INCOME TAX

The fiduciary of a resident estate or trust must file a Kansas fiduciary income tax return if the estate or trust had any taxable income and/or there is withholding tax due for the nonresident beneficiaries. The fiduciary of a nonresident estate must file a Kansas fiduciary income tax return if the estate or trust had taxable income or gain derived from Kansas source.

Kansas begins its fiduciary income tax calculation with federal taxable income and allows for several addition/subtraction modifications.

For process year 2008, tax year 2007, Kansas fiduciary income tax was imposed as follows:

If Kansas taxable income is:

Over	But Not Over	The Tax is:
\$0	\$15,000	3.50% of Kansas taxable income
\$15,000	\$30,000	\$525 + 6.25% of excess over \$15,000
\$30,000		\$1,462.50 + 6.45% of excess over \$30,000

**INDIVIDUAL AND FIDUCIARY INCOME TAX  
RESIDENT TAX FILERS  
PROCESS YEAR 2008**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	34,783	\$12,148,860
K.S.A. 79-32,117(b)(iv)	Contributions to all Kansas public employee's retirement systems	153,205	\$12,755,412
K.S.A. 79-32,143	Federal net operating loss carry forward	11,523	\$35,715,930
K.S.A. 79-21,117(b)(xi)	Regional foundations	1,169	\$138,707
Various	Other additions to federal adjusted gross income	11,707	\$2,206,918

\*Tax expenditure computed using average tax rate of .05

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	72,320	(\$11,621,590)
K.S.A. 79-32,117(c)(v)	State income tax refund	203,993	(\$10,062,994)
K.S.A. 79-32,143	Kansas net operating loss carry forward	10,565	(\$33,770,012)
PL 108-189, Section 511(d)	Nonresident Military	166	(\$194,062)
K.S.A. 79-32,117(c)(xv)	Learning Quest	20,135	(\$4,860,757)
K.S.A. 79-32,117(c)(xvi)	Qualified Long-Term Care	34,012	(\$1,668,052)
K.S.A. 79-32,117(c)(xvii)	Armed Forces Recruitment	1,243	(\$909,540)
K.S.A. 79-32,117(c)(xix)	Taxable Social Security Benefits	62,154	(\$15,051,054)
K.S.A. 74-4923(b)	KPERS Lump Sum Distributions	2,041	(\$1,061,104)
Various	Retirement benefits specifically exempt from Kansas income tax	98,335	(\$94,214,876)
Various	Other subtractions from federal adjusted gross income	7,249	(\$13,670,662)

\*Tax expenditure computed using average tax rate of .05

**DEDUCTIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,119; K.S.A. 79-32,120	Standard deduction or Itemized deductions	1,420,632	(\$616,518,637)
K.S.A. 79-32,121	Exemption allowance	1,332,771	(\$350,352,223)

\*Tax expenditure computed using average tax rate of .05

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**INDIVIDUAL AND FIDUCIARY INCOME TAX  
NONRESIDENT TAX FILERS  
PROCESS YEAR 2008**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	12,547	\$3,595,400
K.S.A. 79-32,117(b)(iv)	Contributions to all Kansas public employee's retirement systems	7,781	\$56,076
K.S.A. 79-32,143	Federal net operating loss carry forward	2,450	\$5,499,010
K.S.A. 79-21,117(b)(xi)	Regional foundations	167	\$1,147
Various	Other additions to federal adjusted gross income	3,059	\$280,991

\*Tax expenditure computed using average tax rate of .05

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	12,547	(\$1,163,932)
K.S.A. 79-32,117(c)(v)	State income tax refund	74,703	(\$2,055,496)
K.S.A. 79-32,143	Kansas net operating loss carry forward	3,510	(\$2,762,087)
PL 108-189, Section 511(d)	Nonresident Military	5,577	(\$815,269)
K.S.A. 79-32,117(c)(xv)	Learning Quest	796	(\$17,115)
K.S.A. 79-32,117(c)(xvi)	Qualified Long-Term Care	3,570	(\$22,304)
K.S.A. 79-32,117(c)(xvii)	Armed Forces Recruitment	135	(\$6,456)
K.S.A. 79-32,117(c)(xix)	Taxable Social Security Benefits	4,644	(\$120,619)
K.S.A. 74-4923(b)	KPERS Lump Sum Distributions	216	(\$11,067)
Various	Retirement benefits specifically exempt from Kansas income tax	4,308	(\$450,920)
Various	Other subtractions from federal adjusted gross income	2,283	(\$880,680)

\*Tax expenditure computed using average tax rate of .05

**DEDUCTIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,119; K.S.A. 79-32,120	Standard deduction or Itemized deductions	278,222	(\$33,223,618)
K.S.A. 79-32,121	Exemption allowance	268,181	(\$6,900,548)

\*Tax expenditure computed using average tax rate of .0063

\*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**INDIVIDUAL AND FIDUCIARY INCOME TAX  
RESIDENT AND NONRESIDENT TAX FILERS  
PROCESS YEAR 2008**

**TAX CREDITS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>Expenditure</b>
K.S.A. 79-32,111	Credit for taxes paid to other states	145,878	(\$361,254,261)
K.S.A. 79-32,111a	Credit for child and dependent care expenses	73,492	(\$9,447,143)
K.S.A. 79-32,202	Adoption credit	1,139	(\$1,277,216)
K.S.A. 79-32,181a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 74-50,173	Agritourism liability insurance credit	18	(\$2,982)
K.S.A. 79-32,201	Alternative-fuel tax credit	88	(\$67,123)
K.S.A. 74-8133	Angel Investor credit	159	(\$2,005,631)
K.S.A. 65-7101	Assistive Technology Contribution credit	0	(\$0)
K.S.A. 79-32,233	Biomass-to-Energy credit	0	(\$0)
K.S.A. 79-32,153	Business and job development tax credit	134	(\$367,022)
K.S.A. 79-32,160a	Business and job development tax credit	242	(\$4,140,098)
K.S.A. 79-32,206	Business machinery and equipment tax credit	7,191	(\$5,625,957)
K.S.A. 79-32,190	Child day care assistance credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 74-99c09	Community Entrepreneurship credit	87	(\$1,022,725)
K.S.A. 79-32,197	Community service contribution credit	802	(\$2,281,845)
K.S.A. 79-32,176	Disabled access credit	30	(\$67,013)
K.S.A. 79-32,205	Earned income credit	197,810	(\$62,368,216)
K.S.A. 79-32,246	Electric Cogeneration Facility credit	0	(\$0)
K.S.A. 79-32,222	Environmental Compliance credit	0	(\$0)
K.S.A. 79-32,258	Film Production credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,203	Habitat management credit	0	(\$0)
K.S.A. 79-32,160a(e); K.S.A. 74-50,132	High performance incentive program credit	63	(\$4,866,978)
K.S.A. 79-32,211	Historic preservation tax credit	227	(\$3,373,582)
K.S.A. 79-32,211a	Historic Site Contribution credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 74-50,208	Individual Development Acct credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,239	Integ Coal Gasification Power Plnt credit	0	(\$0)
K.S.A. 79-32,242	Law Enf Training Center credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,215	Math & Science Teacher Employ credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,244	Natl Guard Reserve Employer credit	0	(\$0)
K.S.A. 79-32,229	Nitrogen Fertilizer Plant credit	0	(\$0)
K.S.A. 79-32,218	Petroleum Refiner credit	0	(\$0)
K.S.A. 79-32,207	Plugging an abandoned oil or gas well credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,224	Qualifying Pipeline credit	0	(\$0)
K.S.A. 74-50,154	Regional Foundation credit	48	(\$802,880)
K.S.A. 79-32,182b	Research and development credit	157	(\$160,392)
K.S.A. 79-32,212	Single city port authority credit	0	(\$0)
K.S.A. 40-2246	Small employer health insurance contribution credit	118	(\$298,444)
K.S.A. 79-32,252	Storage Blending Equipment credit	0	(\$0)
K.S.A. 79-32,204	Swine facility improvement credit	0	(\$0)
K.S.A. 79-32,210	Telecommunications credit	91	(\$255,342)
K.S.A. 79-32,200	Temporary assistance to families contribution credit	0	(\$0)
K.S.A. 74-8205; 74-8206; 74-8304; 74-8316	Venture and local seed capital credit	*CONFIDENTIAL	*CONFIDENTIAL

## CORPORATE INCOME TAX

**Year Enacted:** 1933  
**Statutory Citation:** K.S.A. Chapter 79, Article 32

All corporations doing business within or deriving income from sources within Kansas that are required to file a federal income tax return, shall also be required to file a Kansas corporate income tax return

Kansas begins its corporate income tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

Corporations not based in Kansas in many cases have a small percentage of income from Kansas sources and use a three factor formula of payroll, sales and property to determine the amount of income apportioned to Kansas. The tax expenditures presented for corporations not based in Kansas have had the apportionment percentage applied in order to provide the reader with truer cost of expenditures associated with these filers.

For process year 2008, tax year 2007, the normal tax for Kansas corporate income tax is imposed at the rate of 4% and a surtax at the rate of 3.35% is imposed on those corporations where the Kansas taxable income is in excess of \$50,000.

**CORPORATE INCOME TAX  
RESIDENT TAX FILERS  
PROCESS YEAR 2008**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,138(b)(i) K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	210	\$1,033,064
K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	3,738	\$14,960,784
K.S.A. 79-32,117(b)(ii)	Taxes on or measured by income or fees or payments in lieu of income taxes	5,581	\$5,845,990
Various	Other additions to federal adjusted gross income	108	\$75,857

\*Tax expenditure computed using average tax rate of .065

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,138(c)(i) K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	270	(\$356,031)
Various	Other subtractions from federal adjusted gross income	1,047	(\$2,130,547)
K.S.A. 79-32,143	Kansas Net Operating Loss	3,817	(\$17,592,708)

\*Tax expenditure computed using average tax rate of .065

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**CORPORATE INCOME TAX  
NONRESIDENT TAX FILERS  
PROCESS YEAR 2008**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,138(b)(i) K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	839	\$3,767,685
K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	2,708	\$40,707,140
K.S.A. 79-32,117(b)(ii)	Taxes on or measured by income or fees or payments in lieu of income taxes	8,401	\$17,152,768
Various	Other additions to federal adjusted gross income	267	\$1,464,250

\*Tax expenditure computed using average tax rate of .065

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,138(c)(i) K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	629	(\$3,184,333)
Various	Other subtractions from federal adjusted gross income	1,164	(\$3,308,349)
K.S.A. 79-32,143	Kansas Net Operating Loss	1,929	(\$377,740)

\*Tax expenditure computed using average tax rate of .065

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**CORPORATE INCOME TAX  
RESIDENT AND NONRESIDENT TAX FILERS  
PROCESS YEAR 2008**

**TAX CREDITS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>Tax Expenditure</b>
K.S.A. 79-32,181a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 74-50,173	Agritourism liability insurance credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,201	Alternative-fuel tax credit	8	(\$106,209)
K.S.A. 65-7101	Assistive Technology Contribution credit	0	(\$0)
K.S.A. 79-32,233	Biomass-to-Energy credit	0	(\$0)
K.S.A. 79-32,153	Business and job development tax credit	49	(\$2,008,928)
K.S.A. 79-32,160a	Business and job development tax credit	146	(\$5,066,359)
K.S.A. 79-32,206	Business machinery and equipment tax credit	3,979	(\$35,037,514)
K.S.A. 79-32,190	Child day care assistance credit	6	(\$67,287)
K.S.A. 74-99c09	Community Entrepreneurship Credit	5	(\$20,007)
K.S.A. 79-32,197	Community service contribution credit	29	(\$452,360)
K.S.A. 79-32,177	Disabled access credit	6	(\$22,461)
K.S.A. 79-32,246	Electric Cogeneration Facility credit	0	(\$0)
K.S.A. 79-32,222	Environmental Compliance credit	0	(\$0)
K.S.A. 79-32,258	Film Production credit	0	(\$0)
K.S.A. 79-32,203	Habitat management credit	0	(\$0)
K.S.A. 79-32,160a(e); K.S.A. 74-50,132	High performance incentive program credit	72	(\$27,398,929)
K.S.A. 79-32,211	Historic preservation tax credit	12	(\$816,003)
K.S.A. 79-32,211a	Historic Site Contribution credit	0	(\$0)
K.S.A. 74-50,208	Individual Development Acct credit	0	(\$0)
K.S.A. 79-32,239	Integ Coal Gasification Power Plnt credit	0	(\$0)
K.S.A. 79-32,242	Law Enf Training Center credit	0	(\$0)
K.S.A. 79-32,215	Math & Science Teacher Employ credit	0	(\$0)
K.S.A. 79-32,244	Natl Guard Reserve Employer credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,229	Nitrogen Fertilizer Plant credit	0	(\$0)
K.S.A. 79-32,218	Petroleum Refinery credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,207	Plugging an abandoned oil or gas well credit	0	(\$0)
K.S.A. 79-32,224	Qualifying Pipeline credit	0	(\$0)
K.S.A. 74-50,154	Regional foundation credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,182b	Research and development credit	89	(\$1,969,997)
K.S.A. 79-32,212	Single city port authority credit	0	(\$0)
K.S.A. 40-2246	Small employer health insurance contribution credit	29	(\$106,873)
K.S.A. 79-32,252	Storage Blending Equipment credit	0	(\$0)
K.S.A. 79-32,204	Swine facility improvement credit	0	(\$0)
K.S.A. 79-32,210	Telecommunications credit	30	(\$2,641,890)
K.S.A. 79-32,200	Temporary assistance to families contribution credit	0	(\$0)
K.S.A. 74-8205; 74-8206; 74-8304; 74-8316	Venture and local seed capital credit	0	(\$0)
K.S.A. 79-32,143	Farm Net Operating Loss	21	(\$34,581)

\*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

## PRIVILEGE TAX

**Year Enacted:** 1963  
**Statutory Citation:** K.S.A. Chapter 79, Article 11

Every national banking association, bank, trust company, federally chartered savings bank, and savings and loan association located or doing business within the state shall be required to file a privilege tax return and pay a tax according to or measured by its net income for the next preceding taxable year.

Kansas begins its privilege tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

For process year 2008, tax year 2007, a tax consisting of a normal tax and a surtax shall be imposed for privilege tax filers. The normal tax shall be an amount equal to 2.25% of Kansas taxable income and a surtax in an amount equal to 2.125% of Kansas taxable income that is in excess of \$25,000 for banks and 2.25% of Kansas taxable income that is in excess of \$25,000 for savings & loans and trust companies.

## PRIVILEGE TAX PROCESS YEAR 2008

### ADDITION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-1109	State and municipal bond interest not specifically exempt from Kansas income tax.	343	\$3,679,002
K.S.A. 79-1109 K.S.A. 79-32,138(b) K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	34	\$201,358
K.S.A. 79-1109	Savings & Loan Bad Debt Deduction included in federal deductions	19	\$1,240,015
Various	Other additions to federal taxable income	85	\$165,498

\*Tax expenditure computed using average rate of 4%

### SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
Various	Subtractions from federal taxable income	241	(\$931,488)

\*Tax expenditure computed using average rate of 4%

### DEDUCTIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,143	Kansas Net Operating Loss	34	(\$220,499)
K.S.A. 79-1109	Savings and Loan Bad Debt Deduction	21	(\$40,640)

\*Tax expenditure computed using average rate of 4%

### TAX CREDITS

Statutory Reference	Description	Number of Filers	Tax Expenditure
K.S.A. 79-1126a	Agricultural loan interest reduction credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,153	Business and job development tax credit	59	(\$270,219)
K.S.A. 79-32,160a	Business and job development tax credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,206	Business machinery and equipment tax credit	318	(\$1,055,023)
K.S.A. 79-32,190	Child day care assistance credit	0	(\$0)
K.S.A. 79-32,197	Community service contribution credit	23	(\$425,486)
K.S.A. 79-1117	Disabled access credit	0	(\$0)
K.S.A. 79-32,160a(e); K.S.A. 74-50,132	High performance incentive program credit	* CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,211	Historic preservation tax credit	22	(\$2,888,289)
K.S.A. 79-32,211a	Historic Site Contribution credit	0	(\$0)
K.S.A. 74-50, 154	Regional foundation credit	* CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 74-8205; 74-8206; 74-8304; 74-8316	Venture and local seed capital credit	0	(\$0)

\*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

## KANSAS RETAILERS' SALES TAX

**Year Enacted:** 1937

**Statutory Citation:** K.S.A. Chapter 79, Article 36

Kansas imposes a state retailers' sales tax of 5.3%, plus local sales taxes on the following:

- Retail sale, rental or lease of tangible personal property;
- Labor services to install, apply, repair, service, alter, or maintain tangible personal property;  
and
- Admissions to places providing entertainment, amusement, or recreation in Kansas.

Kansas law allows many exemptions from the imposition of sales tax.

<b>Statute</b>	<b>Description of Exemption or Exclusion</b>	<b>FY2009 (\$ in Millions)</b>
Tax Rate		\$ 0.05
Annual Rate of Increase		\$ 0.02
	<b>Conceptual Exclusions</b>	
3602 (e)	Definition of retail sales, exempting wholesale sales and sales for resale	\$ -
3606 (a)	Motor fuels and items taxed by sales or excise tax	\$ 232.52
3606 (k)	Vehicles, trailers or aircraft purchased and delivered out of state to a nonresident	\$ 15.44
3606 (l)	Isolated or occasional sales, except motor vehicles	\$ -
3606 (m)	Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail	\$ 2,248.11
3606 (n)	Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail. In 2000, added provision to eliminate refunds from the Johnson County Water case	\$ 294.96
3606 (o)	Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring.	\$ 166.02
	<b>Subtotal</b>	<b>\$ 2,957.05</b>
	<b>Public Policy: Charitable, Religious, Benevolent Exemptions</b>	
3603 (e)	Admission to any cultural and historical event which occurs triennially	Minimal
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons. In 2004, expanded exemption to all personal property purchased by contractor and sales of food products by or on behalf of contractor or o	\$ 0.83
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	\$ 2.63
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.	Minimal
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)	\$ 0.39
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)	\$ 0.03
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	\$ -
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	\$ 0.60
3606 (aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	\$ 17.35
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser.	\$ -

<b>Statute</b>	<b>Description of Exemption or Exclusion</b>	<b>FY2009 (\$ in Millions)</b>
3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence	\$ 0.06
3606 (iii)	Property and services purchased by organizations distributing food without charge to other nonprofit food distribution programs. Includes taxes paid on and after July 1, 2005 and prior to July 1, 2006.	\$ 0.24
3606 (ppp)	Property and services purchased by non-profit Homeless Shelters, and sales made by or on behalf of these organizations.	\$ 0.11
3606 (ttt)	Property and services purchased a contractor for a purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum which is a qualified under the governor hometown heritage act (KSA 75-5071)	\$ 0.11
	<b>Subtotal</b>	<b>\$ 22.92</b>
	<b>Public Policy: Exemptions to Charitable Organizations by Name</b>	
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis , Spina Bifida Assn, CHWC, Inc., Cross-lines Cooperative Council, Dreams Work, Inc., KSDS, Inc., Lyme Association of Grater Kansas City, Inc Dream Factory, Ottawa Suzuki Strings, International Assn of Lions Clubs, Johnson County young Matrons, American Cancer Society, Community Services of Shawnee, Angel Babies Assn, Kansas Fairground Foundation	\$ 0.79
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	\$ 0.11
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.	Minimal
3606 (kkk)	Not Used	\$ -
3606 (lll)	Property and services purchased by Special Olympics Kansas, Inc., and sales made by or on behalf of Special Olympics.	\$ 0.03
3606 (mmm)	Property and services purchased by Marillac Center, Inc. and sales made by or on behalf of the Marillac Center.	\$ 0.05
3606 (nnn)	Property and services purchased by West Sedgwick County - Sunrise Rotary Club for constructing boundless playground.	\$ 0.02
3606 (qqq)	Property and services purchased by TLC for Children and Families, Inc. and sales made by or on behalf of TLC	\$ 0.17
3606 (sss)	Property and services purchased by catholic charities or youthville and sales made by or on behalf of catholic charities or youthville	\$ 0.64
3606 (uuu)	Property and services purchased by Kansas Children's Service League and sales made by or on behalf of the KCSL	\$ 0.15
3606 (vvv)	Property and services purchased by Jazz in the Woods and sales made by or on behalf of such organization	\$ 0.01
3606 (www)	Property purchased by or behalf of Frontenac Education Foundation and sales made by or on behalf of such organization	\$ 0.00
3606 (xxx)	Property and services purchased by the Booth Theatre Foundation, Inc. Provides for refund of sales taxes paid from January to July 2007.	\$ 0.03
3606 (yyy)	Property and services purchased by the TLC Charities Foundation, Inc. and sales made by or on behalf of these organizations.	\$ 0.00
3606 (zzz)	Property purchased by Rotary Club of Shawnee Foundation	\$ -
3606 (aaaa)	Property and services purchased by or on behalf of Victory in the Valley and sales made by or on behalf of such organization	\$ 0.02
3606 (bbbb)	Guadalupe Health Foundation, sales of entry or participation fees, chrages or tickets for annual fundraising event	\$ 0.11

<b>Statute</b>	<b>Description of Exemption or Exclusion</b>	<b>FY2009 (\$ in Millions)</b>
3606 (cccc)	Property and services purchased by or on behalf of Wayside Waifs for the purpose of providing such organizations annual fundraising event and sales made by or on behalf of such organization	\$ 0.01
3606 (dddd)	Property or services purchased by or on behalf of Goodwill Industries or Easter Seals o Kansas, Inc for the purpose of providing education, training and employment opportunities for people with disabilities and other barriers to employment	\$ -
3606 (eeee)	Property or services purchased by or on behalf of All Beef Battalion, Inc. for the purpose of educating, promoting and participating as a contract group through the beef cattle industry in order to carry out such projects that provide support and morale to members of the United States armed forces and military services.	\$ -
3606 (ffff)	Property and services purchased by Sheltered Living, Inc for the purpose of providing residential and services for people with developmental disabilities or mental retardation, or both; and sales made on behalf of such organization	\$ -
	<b>Subtotal</b>	<b>\$ 2.15</b>
	<b>Public Policy: Consumer Exemptions</b>	
3602 (ii)	Modified definition of sales or selling price to not include cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale. The exemption is granted from July 1, 2006 and ending June 30, 2009.	\$ 7.00
3603 (b)	Taxes telephone and telegraph services except certain interstate and international services and value-added nonvoice data services	\$ 1.45
3603 (c)	Residential and agricultural use utilities. Effective Jan 1 2006, exemption moved here from 3606 (w) and (x).	\$ 119.21
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.	\$ 0.21
3603 (p)	Labor services of installing or applying property in original construction of a building or facility or the construction reconstruction, restoration, replacement or repair or a residence, bridge or highway	\$ 181.81
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	\$ 2.73
3606 (u)	Leases or rentals of property used as a dwelling for more than 28 consecutive days.	\$ 0.73
3606 (w)	Residential and agricultural use of water and severing oil & gas and property exempt from property tax. Effective Jan 1 2006, exemption for residential and agricultural use of electricity and heat moved to 3603(c).	\$ 108.24
3606 (x)	Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise. Effective Jan 1 2006, exemption for residential and agricultural moved hereto 3603(c).	\$ 16.33
3606 (bb)	Used mobile and manufactured homes	\$ 4.43
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas	\$ 14.11
3606 (ff)	New mobile or manufactured homes to the extent of 40% of the gross receipts	\$ 3.25
3606 (ooo)	Sales made by or on behalf of a public library	\$ 0.01
	<b>Subtotal</b>	<b>\$ 459.51</b>
	<b>Public Policy: Governmental Exemptions</b>	
3603 (g)	Service of renting of rooms by holds or accommodation brokers to federal government or any federal employee in performance of official government duties.	\$ 0.12

<b>Statute</b>	<b>Description of Exemption or Exclusion</b>	<b>FY2009 (\$ in Millions)</b>
3603 (h)	Service of leasing or renting machinery and equipment owned by city purchased with industrial revenue bonds prior to July 1, 1973	\$ -
3606 (b)	Property or services purchases by State of Kansas, political subdivision, nonprofit hospital or blood /donor bank. In 2001, deleted sales of water to make purchases for water suppliers exempt.( Neutral FN due to Clean Water Fee)	\$ 330.89
3606 (d)	Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions, and for state correctional institution	\$ 118.95
3606 (e)	Property or services purchases by federal government, its agencies or instrumentality's	\$ 5.54
3606 (s)	Sales of property or services purchased by a groundwater management district	\$ 0.04
3606 (z)	Property and services purchased directly by a port authority or a contractor therefore.	Minimal
3606 (ss)	Property and services purchased by a public broadcasting station licensed by FCC as a noncommercial educational television or radio station.	Minimal
3606 (uu)	Property and services purchased by rural fire fighting organization	Minimal
3606 (rrr)	Property and services purchased by county law library,	\$ 0.11
	<b>Subtotal</b>	<b>\$ 455.65</b>
	<b>Public Policy: Educational Exemptions</b>	
3606 (c)	Property or services purchased and leasing by elementary or secondary schools and educational institutions	\$ 58.47
3606 (h)	Rental of nonsectarian textbooks by elementary or secondary schools	\$ 0.96
	<b>Subtotal</b>	<b>\$ 59.43</b>
	<b>Public Policy: Health Care Exemptions</b>	
3606 (p)	Sales for prescription drugs	\$ 70.36
3606 (q)	Sales of insulin dispensed by pharmacist for treatment of diabetes	\$ 0.54
3606 (r)	Sales of prosthetic or orthopedic appliances prescribed by a doctor. IN 2004, exempted all hearing aids, parts and batteries by licensed providers	\$ 8.27
3606 (hh)	Medical supplies and equipment purchased by nonprofit skilled nursing home or intermediate nursing care home for providing medical services to residents	\$ 1.04
3606 (jj)	Property and services, includes leasing of property, purchased for community-based mental retardation facility or mental health center.	\$ 2.41
3606 (ll)	Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation	\$ 0.08
3606 (ccc)	Property and services purchases by health care centers and clinics who are serving the medically underserved.	\$ 0.38
3606 (jjj)	Sales of dietary supplements dispensed by prescription order by a licensed practitioner or mid-level practitioner.	Minimal
	<b>Subtotal</b>	<b>\$ 83.09</b>

<b>Statute</b>	<b>Description of Exemption or Exclusion</b>	<b>FY2009 (\$ in Millions)</b>
	<b>Public Policy: Agriculture Exemptions</b>	
3606 (t)	Sales of farm or aquaculture machinery and equipment, parts and services for repair and replacement. In 2006, added work-site utility vehicle as exempt. To include precision farm equipment	\$ 49.22
3606 (mm)	Seeds, tree seedlings, fertilizers, insecticides, etc., and services purchased and used for producing plants to prevent soil erosion on land devoted to agricultural use.	\$ 0.96
	<b>Subtotal</b>	<b>\$ 50.18</b>
	<b>Legal Exemptions</b>	
3606 (g)	Sales, repair or modification of aircraft sold for interstate commerce directly through an authorized agent. IN 2004, expanded aircraft exemption for repair, modification plus parts and labor	\$ 7.30
3606 (y)	Sales of materials and services used in repairing, maintaining, etc., of railroad rolling stock used in interstate commerce	\$ 0.94
3606 (aa)	Materials and services brought into Kansas for usage outside of Kansas for repair, services, alteration, maintenance, etc. used for the transmission of liquids or national gas by a pipeline in interstate commerce	Minimal
3606 (dd)	Property purchased with food stamps issued by US Department of Agriculture	\$ 7.58
3606 (gg)	Property purchased with vouchers issued pursuant to the federal special supplemental food program for women, infants and children	n/a
3606 (ddd)	Property and services purchases by any class II or III railroad (shortline) for track and facilities used directly in interstate commerce. Only for calendar year 1999.	n/a
	<b>Subtotal</b>	<b>\$ 15.82</b>
	<b>Public Policy: Exemption of Services</b>	
3603 (f)	Coin operated Laundry Services	\$ 0.37
3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation.	\$ 0.90
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos	\$ 0.33
3606 (nn)	Services rendered by advertising agency or broadcast station	\$ 4.24
	<b>Subtotal</b>	<b>\$ 5.84</b>
	<b>Public Policy: Exemptions for Businesses</b>	
3603 (q)	Exemption for Service of repairing, servicing , maintaining custom computer software as described in section 3603 (s)	\$ -
3603 (s)	Customized computer software and services for modifying software for single end use and billed as a separate invoiced item. In 2004, amended to tax only prewritten software. Custom software is exempt	\$ 5.16
3606 (f)	Property purchased by railroad or public utility for use in the movement of interstate commerce	\$ 15.53
3606 (i)	Lease or rental of films, records, tapes, etc. by motion picture exhibitors	\$ 1.71

<b>Statute</b>	<b>Description of Exemption or Exclusion</b>	<b>FY2009 (\$ in Millions)</b>
	<b>Public Policy: Agriculture Exemptions</b>	
3606 (j)	Meals served without charge to employees if duties include furnishing or sale of such meals or drinks	\$ 3.78
3606 (cc)	Property or services purchased for constructing, reconstructing, enlarging or remodeling a business; sale and installation of machinery and equipment purchased for installation in such business. (Enterprise Zone Exemption)	\$ 65.58
3606 (kk)	Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility. In 2004, added exemption for building new facility in Riverton Ks (minimal impact)	\$ 115.81
3606 (pp)	Drill bits and explosives used in the exploration and production of oil or gas	\$ 0.40
3606 (zz)	Machinery and equipment purchased by over-the-air free access radio or television station used directly and primarily for producing signal or the electricity essential for producing the signal.	\$ 0.95
3606 (eee)	Property and services purchases for reconstruction, reconstruction, renovation, repair of grain storage facilities or railroad sidings. Only for calendar year 1999 and 2000.	n/a
3606 (fff)	Material handling equipment, racking systems & other related machinery & equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility; installation, repair, maintenance services, and replacement parts.	\$ 6.27
	<b>Subtotal</b>	<b>\$ 215.20</b>
	<b>Total</b>	<b>\$ 4,326.82</b>

# KANSAS MINERAL TAX

**Year Enacted:** 1983

**Statutory Citation:** K.S.A. Chapter 79, Article 42

Gas and oil are taxed on the gross value at the time of removal from the earth or water. The tax rate is 8% less property tax credits equal to 3.67%, making the tax rate 4.33% after the credit.

Tax exemptions for oil are based on the average price per barrel, average daily productions, depth of the well, new pools and inactive wells.

Tax exemptions for gas wells are for wells with an average daily production valued at \$87 or less, as used for domestic or agricultural purposes on the production unit, and gas from any new pool.

The state general fund receives 93% of the total collection and counties receive the remaining 7%.

Description	Number of Filers	*Tax Expenditure
Oil	46	(\$65,047,425)
Gas	204	(\$7,610,754)
Special Co. Mineral Production Fund		(\$13,200,000)
Property Tax Credit		(\$118,790,560)

\*Tax expenditure computed using a rate of 4.33%

## MOTOR FUEL TAXES

**Year Enacted:** 1925 – gasoline tax  
 1941 – special fuels tax  
 1959 – LP gas tax  
 1979 – gasohol tax

**Statutory Citation:** K.S.A. Chapter 79, Article 34

A tax is imposed on the use, sale or delivery of all motor vehicle fuels or special fuels that are used, sold or delivered in this state. Distributors are allowed to deduct a 2.5 percent handling allowance on gasoline and special fuels received. No allowances are made on gasoline and special fuels exported from the state or sold to the federal government or its agencies; nor are allowances made on gasoline or special fuels sold or disposed of to consumers in tank cars, transport, or pipeline lots.

Kansas law provides that, unless specifically exempt from sales tax, sale of motor fuels will be subject to the Kansas sales tax if no Kansas excise tax has been imposed. No motor fuel tax is imposed on gasoline or special fuel for the following transactions:

- export from the state to any other state or territory;

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY08 Gasoline/Gasohol	1,166,767,262	\$0.24	(\$280,024,143)
CY08 Diesel	363,655,287	\$0.26	(\$94,550,375)

- sale to the federal government or its agencies; (combined below)
- sale to a contractor who performs work for the federal government or its agencies;

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY08 Gasoline/Gasohol	2,726,101	\$0.24	(\$654,264)
CY08 Diesel	1,162,803	\$0.26	(\$302,329)

- sale which is aviation fuel;

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY08 Gasoline/Gasohol	10,446,213	\$0.24	(\$2,507,091)
CY08 Diesel	41,815,357	\$0.26	(\$10,871,993)

- first sale or delivery to a duly licensed distributor who resells to another duly licensed distributor, (No numbers available. This exemption merely insures that double taxation does not occur.);

- sale of indelibly dyed special fuel to be used for nonhighway purposes, and

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY08 Dyed Diesel	353,022,838	\$0.26	(\$91,785,938)

- shrinkage allowance @ 2.5%.

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY08 Gasoline/Gasohol	31,391,303	\$0.24	(\$7,533,913)
CY08 Diesel	9,346,488	\$0.26	(\$2,430,087)

## KANSAS HOMESTEAD REFUND PROGRAM

**Year Enacted:** 1970

**Statutory Citation:** K.S.A. Chapter 79, Article 45

The homestead refund program is a rebate of a portion of the property taxes paid on a Kansas resident's homestead. The refund percentage is based on the total household income. If an individual owns their home, the refund is a percentage of the general property tax. If the individual rents their home, 15% of the rent paid for occupancy is used as the property tax amount. The maximum refund is \$700. As a Kansas resident the entire year, an individual is eligible if the total household income is \$29,100 or less and the individual:

- be 55 years of age or older, OR
- was blind or totally and permanently disabled in calendar year of claim, OR
- had a dependent child under 18 who lived with you all year whom you claim as a personal exemption

In fiscal year 2009, the Kansas Department of Revenue issued \$32,818,510 in homestead refunds to 102,586 homeowners and renters.

## KANSAS FOOD SALES TAX REFUND PROGRAM

**Year Enacted:** 1978

**Statutory Citation:** K.S.A. Chapter 79, Article 36

The food sales tax refund program offers a refund of the sales tax paid on food. To qualify for the program an individual must have lived in Kansas for the entire year and:

- be 55 years of age or older, OR
- was blind or totally and permanently disabled in calendar year of claim, OR
- had a dependent child under 18 who lived with you all year whom you claim as a personal exemption

The food sales tax refund is computed as follows:

If the qualifying income is:	The refund is:
\$0 to \$14,850	\$78 multiplied by the number of Kansas exemptions.
\$14,851 to \$29,700	\$38 multiplied by the number of Kansas exemptions.
\$28,601 or greater	No refund

In process year 2008, the Kansas Department of Revenue issued \$41,231,265 in food sales tax refunds to 321,033 eligible filers.

## KANSAS IMPACT PROGRAM

**Year Enacted:** 1991

**Statutory Citation:** K.S.A. Chapter 74, Article 50

The IMPACT act provides for major project investment to provide financial assistance to defray business costs. IMPACT also provides financial assistance for new job training.

The IMPACT act uses withholding revenue for funding projects. In fiscal year 2009 the percentage is 2%.

In fiscal year 2009, the Kansas IMPACT program expended \$16,740,570.