In Kansas, the very highest-income residents are getting richer: the top one percent of taxpayers—those who earned average income of $1.09 million in 2012—now get nearly a fifth of all the state’s income. They also pay less of their income in taxes than everyone else—well below half the rate of the middle class. If these high income earners paid taxes at the same rate as middle-class Kansans, the state could solve many of its budget problems—raising $724 million dollars each year for education, infrastructure, health care, pensions and job creation. If the state taxes the highest fifth of Kansans at the same rate as the middle class, the state would have $1.28 billion more annually to meet state needs.

**The Rich Are Getting More Income than Ever**

In the 1970s, the top one percent of taxpayers received less than 10 percent of total income in Kansas. By 2012, their share of Kansas’s total income had nearly doubled, to almost 20 percent. This shift equals means that, every year, more than $15.5 billion in income now goes to just one percent of Kansans.

For context: $15.5 billion is two-and-a-half times the Kansas state budget and 45 times the annual cost of paying down the state’s pension debt.\(^1\)
High-Income People Pay Far Less of Their Income in Taxes than the Rest of Us

The Institute on Taxation and Economic Policy ranks Kansas one of the “Terrible Ten” for its extremely regressive tax system. High-income residents pay a far smaller share of their income in state and local taxes than middle class residents. The high-income one percent of Kansans pay just 3.6 percent of their income in taxes, while the middle fifth pay more than two-and-half times that rate: 9.5 percent. Kansas’s lowest income families pay even more: 11.1 percent.
There are a few basic reasons Kansas’s tax system is so inequitable, and the solutions are simple.

- The Kansas personal income tax exempts all business income from taxation, which especially benefits very high earners.
- Kansas imposes state and local sales taxes on groceries without providing refunds to offset sales taxes for low-income families.
- Kansas fails to cap property taxes (as a share of income) for non-elderly middle and low-income families.

**Taxing the Rich at Middle-Class Rates Would Do Wonders for the Budget**

![Taxing Top Fifth Kansas Incomes at the Same Rate as the Middle Class Would Do Wonders for the State Budget](image)

Total Revenue from Tax Fairness: $1.28 Billion

Source: Institute on Taxation and Economic Policy

Taxing upper income groups at the same overall tax rate as middle-class Kansans would relieve enormous pressure on the state’s budget. Taxing just the highest one percent at the rate that the middle fifth pays would raise $724 million in new revenue. That would reverse the cuts and transfers (estimated at $292 million) used to fill Kansas’s current budget hole, restore $358 million in education funding cut since 2009, and leave $74 million for other purposes.

Extending tax fairness to the top 20 percent would generate an estimated $1.28 billion enough additional funds to pay off pension debt ($342 billion annually) and leave another more $200 million for other purposes.
Tax Fairness is Not Rocket Science

There are many ways that Kansas could embrace tax fairness. It could, for example, eliminate the exemption of business income from taxation while exempting groceries from taxation.

After 30 years of a middle-class squeeze, it’s time to restore balance. One percent of Kansans get twice the share of income they got 30 years ago—taxing them at less than half the middle-class rate is the wrong direction. Solving the budget deficit through tax fairness while restoring education and infrastructure will help revitalize Kansas’s economy.

END NOTES

1 This assumes that Kansas’s $10.3 billion in unfunded pension liability is paid off in equal installments over 30 years. Estimate of unfunded pension liabilities from Pew Charitable Trusts, The Fiscal Health of State Pension Plans, March 2014, online at http://www.pewtrusts.org/~/media/Assets/2014/03/31/PewStatesWideningGapFactsheet2.pdf