



Elimination Of Income Tax Would Put Major Burden On Property Owners

"Right now, rural Kansas faces some difficult challenges," according to Doug Haverkamp, Manhattan banker and graduate of the fifth class from the Kansas Agriculture Rural Leadership (KARL) Program.

Speaking briefly during the 580 WIBW Farm Profit Conference north of Paxico, Haverkamp emphasized, "There are opportunities in the agriculture and energy sectors. However, there are substantial obstacles."

With hand-out materials distributed to the group, Haverkamp explained, "Chiefly, rural Kansas must find a way to grow its economy in spite of its declining population and tax base. There's no easy answer, and each rural community must create its own strategy."

Therefore, the KARL Graduate Program developed a series of six workshops for timely and topical discussion of issues in land valuation and assessment for Kansas people.

"Information provided the basis for future policy discussion and decision making regarding revenue generation shifts facing governmental bodies, businesses, schools and, most importantly, property owners," Haverkamp pointed out.

As land values increase, there is concern about the tax implications on landowners. "With declining population in rural Kansas, and increased costs, this could likely have a major impact on farmers and the rural communities of Kansas," Haverkamp said.

"The largest employer in 64 counties in Kansas is government, and the biggest source of income in all but 22 counties is Social Security," Haverkamp explained.

Chart comparisons of mixes in tax funding were compiled in December, 2012, by Barry Flinchbaugh, professor in agricultural economics at Kansas State University.

From Table 1, in the "current tax mix," property taxes, at \$4.1 billion, account for 31.1 percent of revenue, with \$3.7 billion, or 28 percent, from sales and use taxes; \$3.2 billion, 24.2 percent, income and privilege taxes; and the remaining, \$2.2 billion, 16.7 percent, from other taxes. Total tax revenues at the time of these calculations were \$13.2 billion.

"If there were a spending freeze, and income taxes were gradually eliminated, the tax burden would be transferred to property taxes," Flinchbaugh emphasized.

With a 100 percent reduction of income taxes, property tax would be increased \$3.2 billion, or 78 percent, charts show. After a spending freeze, and sales taxes gradually being eliminated 100 percent, property taxes would go up 90.2 percent to raise \$3.7 billion, Flinchbaugh said.

In a 2012 tax mix chart, Flinchbaugh showed that if there was no change in present taxation, property tax would be 31.1 percent; with sales and use, 28 percent; income and privilege, 24.2 percent; and other, 16.7 percent.

Complete elimination of income taxes would make property taxes account for 55.9 percent of the tax burden, with 28 percent, from sales and use taxes; and 16.7 percent from other taxation.

This information shared at our workshops has great implications on the economic future of rural Kansas," Haverkamp reiterated.

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