The Tax Burden for Selected Households in Nebraska and Adjacent States

Prepared by the
Nebraska Tax Research Council and
The University of Nebraska-Lincoln Bureau of Business Research
January 30, 2008

Authors: Eric Thompson, Director, Bureau of Business Research, University of Nebraska Lincoln
Greg Lemon, President, Nebraska Tax Research Council
Contributing Authors and Researchers:
Laura Holman
David Solheim

The Nebraska Tax Research Council would like to acknowledge the generous support of:

Mutual and United of Omaha
Valmont Industries

This report would not have been possible without their assistance.

Executive Summary

The purpose of this study is to show taxes faced by seven selected households based upon demographic characteristics and adjusted gross income under 2007 tax law. The study was done in response to the recent reductions in individual income and property taxes enacted in LB367 this year by the Nebraska Legislature. However, as the study evolved it became clear that the more important feature of the study is the up-to-date nature of the results and the information it provides about the differences (and similarities) between the individual income, sales, and property tax structures in Nebraska and its six contiguous states, Colorado, Iowa, Kansas, Missouri, South Dakota, and Wyoming.

The laws governing calculation of tax liability for similarly situated taxpayers in each of the seven states differ markedly, while the resultant taxes are in many cases relatively close and in others, significantly different.

Sales and property taxes tend to be regressive in nature, putting a higher tax relative to income on lower-earning taxpayers, and income taxes tend to be more progressive, increasing the tax relative to income on citizens as income rises. While the study generally bears out this truism for all the states, it becomes particularly clear that Nebraska follows this pattern, with one of the more progressive income tax structures, and among the most regressive sales and property tax systems.

Given the nature of the study it is not appropriate to rank the seven states relative tax burdens, because the study, even with seven diverse household profiles, is a small snapshot and not the complete picture. However, the results are generally consistent with other studies showing Nebraska to have a higher overall tax burden than the surrounding states with the exception of Iowa.

In the tables below, estimates are reported for the 2007 income, sales, and property taxes faced by each of the 7 household profiles. Tables also are provided that show the total of income, sales, and property tax estimates for each household profile, as well as the total of the three taxes as a percent of household adjusted gross income:

Income Tax Liability by Household Profile and State

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska
Low Income Married	$0	$273	$418+	$82	$244+
Middle Income Married	$1,646	$2,775	$1,792	$1,682	$1,675
High Income Married	$4,662	$7,481	$5,631	$4,998	$5,987
Middle Income Head of Household	$470	$712	$188	$406	$196
Middle Income Single	$433	$525	$400	$301	$308
Low Income Retired	$0	$473	$235	$248+	$0
Middle Income Retired	$155	$1,554	$752	$246	$631

Source: Author's calculations. Note: There is no state income tax in South Dakota and Wyoming.

Estimates of Sales Tax Paid by Household Profile and State

Household Profile	CO	IA	KS	MO	NE	SD	WY
Low Income Married	$339	$626	$756	$655	$764	$357	$548
Middle Income Married	$873	$1,556	$1,885	$1,717	$1,864	$1,294	$1,369
High Income Married	$1,390	$2,472	$2,995	$2,587	$2,934	$2,100	$2,186
Middle Income Head of Household	$408	$747	$894	$729	$896	$661	$655
Middle Income Single	$321	$593	$716	$601	$723	$595	$519
Low Income Retired	$355	$674	$787	$645	$816	$665	$563
Middle Income Retired	$589	$1,073	$1,248	$1,076	$1,270	$955	$939

Source: Author's calculations.

Estimated Property Tax Payments by Household Profile and State

Household Profile	CO	IA	KS	MO	NE	SD	WY
Low Income Married	$412	$2,110	$398	$748	$963	$855	$293
Middle Income Married	$1,566	$3,444	$1,793	$2,400	$2,684	$2,075	$1,151
High Income Married	$2,439	$6,025	$3,440	$4,282	$4,535	$3,609	$1,815
Middle Income Head of Household	$452	$2,202	$664	$818	$1,060	$868	$306
Middle Income Single	$407	$2,100	$658	$740	$952	$854	$291
Low Income Retired	$574	$2,319	$1,117	$1,074	$1,309	$1,362	$782
Middle Income Retired	$768	$3,002	$1,489	$2,061	$2,248	$1,805	$1,052

Source: Author's calculations.

Estimates of Income, Sales, and Property Tax Burden by Household Profile and State (Percentage of Adjusted Gross Income)

Household Profile	CO	IA	KS	MO	NE	SD	WY
Low Income Married	4.00%	16.05%	3.92%	7.92%	7.91%	6.46%	4.48%
Middle Income Married	6.37%	12.13%	8.53%	9.04%	9.71%	5.26%	3.93%
High Income Married	6.41%	12.07%	9.11%	8.88%	10.16%	4.31%	3.02%
Middle Income Head of Household	5.48%	15.08%	7.19%	8.05%	8.87%	6.30%	3.96%
Single	6.54%	18.12%	10.00%	9.24%	11.16%	8.16%	4.56%
Low Income Retired	4.95%	18.46%	11.39%	7.84%	11.32%	10.80%	7.17%
Middle Income Retired	3.98%	14.81%	9.18%	8.90%	10.86%	7.26%	5.24%

Source: Authors' calculations.

Estimated Income Sales and Property Tax Payments by Household Profile and State

Household Profile	CO	IA	KS	MO	NE	SD	WY
Low Income Married	$751	$3,009	$736	$1,485	$1,483	$1,212	$841
Middle Income Married	$4,085	$7,775	$5,470	$5,799	$6,223	$3,369	$2,250
High Income Married	$8,491	$15,978	$12,066	$11,867	$13,456	$5,709	$4,001
Middle Income Head of Household	$1,330	$3,661	$1,746	$1,953	$2,152	$1,529	$961
Middle Income Single	$1,161	$3,218	$1,774	$1,741	$1,983	$1,449	$810
Low Income Retired	$929	$3,466	$2,139	$1,471	$2,125	$2,027	$1,345
Middle Income Retired	$1,512	$5,629	$3,489	$3,383	$4,149	$2,760	$1,991

Source: Authors' calculations.

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I. Introduction

Government taxing and spending decisions can have a profound effect on the standard of living and quality of life of Nebraska families. Government expenditures can help provide services to families. However, state and local taxation also reduces the income that families have to spend on food, housing, clothing, furniture, schooling, health care, insurance, travel, and all other components of the household budget. The level of tax burden, as a share of household income, is therefore a key indicator of quality of life in a state. Further, taxation and expenditure decisions also can influence the location decision of households, influencing the town or state where households reside. Differences in the tax burden among states can influence population levels in states or communities within states.

The level of taxation and expenditure varies by state as a share of income. Even within a state, the amount of taxation as a share of income can differ between different types of households; for example, low income versus high income households, or retiree households versus working-age households. Both the overall magnitude of taxation and the distribution of the taxes between different classes of households are key considerations for both fairness and the growth of states. Researchers have found that states with higher taxes tend to have faster rates of both capital formation and population growth, even after accounting for expenditures on public services.

This study provides an analysis of the state and local taxes as a share of income in Nebraska and six adjacent states: Colorado, Iowa, Kansas, Missouri, South Dakota, and Wyoming. The analysis looks at "tax burden," defined here as the taxes paid by households as a share of ability to pay as measured by household income. The study focuses on the three main categories of state and local taxes: income taxes, property taxes, and sales and use taxes. Because the magnitude of the tax burden can vary for different types of households, we examined the taxes faced by seven classes of households.

Household Profiles

The seven household profiles are listed in Table I.1 below. They were developed to capture a cross section of Nebraska households, including a wide range of incomes, family structures, and stages of life. We examined the taxes paid by the median income household in four groups:

- working-age married households,
- working-age unmarried households with children (head of household),
- working-age singles, and
- retiree households.

For the most populous group, working-age married households, we also provide information for low income (10^{th} percentile), and high income (90^{th} percentile) households. We also provide information for a lower-income (25^{th} percentile) retiree household.

The median, 10^{th}, 25^{th}, or 90^{th} percentile income for each type of household was developed based on tax returns filed with the State of Nebraska as reported in the Nebraska Department of Revenue's *Statistics of Income 2006* report with a national average income growth rate factored in to the 2005 Nebraska income levels found in the report. That report also provided information on the average number of deductions for each type of household. Based on that data, we assumed that the average married household has one child (3 total deductions) and the average single with children (head of household) household has one child (2 total deductions). Retiree households also were assumed to have 2 deductions. All married couples were assumed to file jointly. These household profiles were utilized in every state to assess the tax burden for different classes of households.

Table I.1
Household Profiles

Household Profile	Age Profile	Income Percentile	Adjusted Gross Income	Number of Deductions	Own Or Rent
Low Income Married	Under 65	10^{th}	$18,760	3	Rent
Median Income Married	Under 65	50^{th}	$64,119	3	Own
High Income Married	Under 65	90^{th}	$132,453	3	Own
Median Income Head of Household	Under 65	50^{th}	$24,269	2	Rent
Median Income Single	Under 65	50^{th}	$17,758	1	Rent
Lower Income Retired	Over 65	25^{th}	$18,771	2	Own
Median Income Retired	Over 65	50^{th}	$38,010	2	Own

Definition of Tax Burden used in this Study

The study focuses on income and property taxes directly paid by households, the sales taxes associated with household purchases, or the property tax associated with rent payments. We considered the combined burden of both state and local taxes. This is appropriate since in some states more revenue is raised at the state level and transferred to local government, while in other states more revenue is raised at the local level. Only the joint measurement of the combined state and local tax burden creates a level playing field to address the overall tax burden within each state.

Our focus, however, is on taxes that are faced by households, as opposed to the portion of state and local taxes that are faced by businesses (property taxes paid on commercial, non-residential, real estate; sales taxes on business purchases, corporate income tax). This is an important distinction because states differ in the extent to which taxes are placed on business. For example, with the property tax most states charge a higher effective tax rate on commercial property (businesses) than residential property (households), typically by assessing property at a higher rate. We provide data in Appendix A on overall taxes, whether borne by business or households, as a share of state adjusted gross income. These findings are broadly consistent with our own findings in this report on the taxes faced by households.

II. Income Taxes

Income taxes are a significant share of the state tax burden in five of the seven states we examined in this study. There is a state income tax in Nebraska and the adjacent states of Iowa, Missouri, Kansas, and Colorado. There is no state income tax, however, in South Dakota or Wyoming.

Factors Influencing Income Tax Burden

State income tax liability results from a complex mix of factors including income, number of deductions, exemptions, and credits. One key issue is whether a taxpayer takes a standard deduction or itemizes. Given this complexity, we chose to complete state tax forms for each of our seven taxpayer profiles. This was done for each of the five states that has an income tax.

A number of our taxpayer profiles, particularly those who were renters, were modeled to take the standard deduction. This included taxpayers who were: 1) married filing jointly, 10th percentile of Adjusted Gross Income (AGI); 2) head of household, median AGI; or 3) single, median AGI; 4) over 65 at 25% and 50% median income. The first two profiles were assumed to have a single child. Nebraska, Kansas, and Iowa have a state earned income tax credit which is a percentage of the federal credit, and each state increased that credit percentage for 2007. In all cases, children were assumed to be in public primary and secondary school, and their parents were not eligible for or did not participate in state tax credits for child care costs, tuition payments, or college tuition savings programs. Although many taxpayers qualify for such deductions and credits, it is not universal, and selectively choosing such deductions and credits would have skewed the results given the broad range and non-uniformity of available deductions in these areas.

The other profiles were assumed to have itemized their tax returns. For itemizers, we required data on the amount of state and local income taxes, state and local property taxes, mortgage interest paid, charitable contributions, and other for each state and income group. Data for all adjustments for all states was available from the Internal Revenue Service. The data provided the average amount itemized in each state by income category.

Our two hypothetical over-65 taxpaying couples required additional information such as taxable Social Security income when computing their state income tax liability. This information was taken from Nebraska Department of Revenue data on elderly income tax filers and was applied to filers in all states.

State tax codes vary significantly in their treatment of income. Most states, including Nebraska, begin calculating income tax liability using adjusted gross income. Colorado, however, uses the federal taxable income as the starting basis for the Colorado state income tax, as is shown in Table II.1 below.

Table II.1
Income Measured Used as Basis for State Income Tax Liability

State	**Income Measure**
Nebraska	Adjusted Gross Income
Colorado	Federal Taxable Income
Missouri	Adjusted Gross Income
Iowa	Adjusted Gross Income
Kansas	Adjusted Gross Income

Source: Income tax forms and codes of each state.

Other key differences in the income tax codes of each state are summarized below.

• Colorado, as noted above, uses federal taxable income rather than federal adjusted gross income for the individual income tax starting point. Colorado allows a deduction from income for taxable Social Security and pension benefits. Colorado does not have any brackets or differentiation based upon marital status or head of household for income tax calculation; the same rate of 4.63% applies to all Colorado taxpayers with an income tax liability.

• Iowa's income tax system features personal exemptions and standard deductions, however, they are smaller than those provided in Nebraska, Missouri, and Kansas. Iowa's income tax also adds a school district surtax which is determined by the school district the taxpayer resides in and varies from 0% to 20% of state individual income tax liability. The statewide average of 3.7% was applied to our hypothetical taxpayers. Beginning in the 2007 tax year, Iowa has deductions from taxable income of 32% of taxable Social Security benefits, and increases the earned income tax credit from 6.5% to 7% of the federal credit.

Iowa does not differentiate for marital status or head of household for income tax calculation. Its lowest rate is .36% for taxable income of $0-$1,343, and includes nine brackets up to the top marginal rate of 8.98% on Iowa taxable income of over $60,435 for tax year 2007.

• Kansas features larger standard deductions than any state except Nebraska and Missouri, and larger personal exemptions that any other state in the comparison. For 2007 the earned income tax credit in Kansas increases from 15% to 17% of the federal credit, also for 2007 taxable Social Security benefits are fully deductible from Kansas taxable income provided that federal adjusted gross income is less than $50,000 (this threshold goes up to $75,000 next year). Kansas residents also pay a compensating use tax along with their Kansas income tax of .068% of Kansas taxable income, and Kansans making $28,600 or less are eligible for a food sales tax refund of between $37 and $75 per personal exemption claimed. Kansas has separate income tax schedules for married filing jointly and all others, married filing jointly pay a 3.5% tax on the first $30,000 of Kansas taxable income and 6.45% of income over $60,000. All others pay the same rate but at income thresholds of $15,000 for the lowest rate and $30,000 for the highest.

• Missouri features a large standard deduction based upon filing status in amounts similar to those allowed in Nebraska, and larger than the other states in the comparison; it also allows for itemized deductions to exceed the standard deduction. Missouri also has a significant separate deduction for filing status including over 65, but no personal exemptions. Missouri deducts federal tax liability from Missouri taxable income, and provides a property tax credit to the elderly and disabled with net household income under $25,000. Missouri does not differentiate between single, married, etc., on its tax computation tables and features a top rate of 6% on Missouri taxable income over $9,000 and a graduated scale below that level of income. Missouri also apportions income to each spouse and applies the schedule described above to each spouse's apportioned share of income, rather than their combined income.

• Nebraska features a large standard deduction based upon filing status in amounts similar to those allowed in Missouri, and larger than the other states in the comparison, it also allows for itemized deductions to exceed the standard deduction. Nebraska also has a significant separate deduction for filing status including over 65, but no personal exemptions. However, Nebraska does provide a personal credit which is deducted from tax liability. The Nebraska earned income tax credit increases from 8% to 10% of the federal credit for 2007.

Nebraska has separate income tax brackets for single/married filing separate, head of household, and married filing jointly. The bottom rate applied to the first $2,400, $4,500, and $4,800 of the above bracket statuses respectively is 2.56%. The top rate of the four rates applied is 6.84% for 2007 and applies at income levels over $27,000, $40,000, and $54,000 to the above bracket statuses respectively. Nebraska brackets and standard deductions were changed for 2007 to lower taxes primarily on married couples.

• South Dakota has no state income tax.

• Wyoming has no state income tax.

Income Tax Liability and Burden by Household Profile

Each of these features of the state income tax system impacted the income tax burden faced by our household profiles in each state. Table II.2 reports the state income tax liabilities for each of the states and taxpayer profiles.

Table II.2
Income Tax Liability by Household Profile and State

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska
Low Income Married	$0	$273	$418+	$82	$244+
Middle Income Married	$1,646	$2,775	$1,792	$1,682	$1,675
High Income Married	$4,662	$7,481	$5,631	$4,998	$5,987
Middle Income Head of Household	$470	$712	$188	$406	$196
Middle Income Single	$433	$525	$400	$301	$308
Low Income Retired	$0	$473	$235	$248+	$0
Middle Income Retired	$155	$1,554	$752	$246	$631

Source: Author's calculations.
Note: There is no state income tax in South Dakota and Wyoming.

Table II.3 reports the state income tax burden as a share of state income. Results show that state income taxes are very progressive, with low income households paying a significantly smaller share of their income in state income taxes.

Table II.3
Estimated Income Tax Burden by Household Profile and State

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska
Low Income Married	0.00%	1.46%	0.00%	0.44%	0.00%
Middle Income Married	2.57%	4.33%	2.79%	2.62%	2.61%
High Income Married	3.52%	5.65%	4.25%	3.77%	4.52%
Middle Income Head of Household	1.94%	2.93%	0.77%	1.67%	0.81%
Middle Income Single	2.44%	2.96%	2.26%	1.69%	1.73%
Low Income Retired	0.00%	2.52%	1.25%	0.00%	0.00%
Middle Income Retired	0.41%	4.09%	1.98%	0.65%	1.66%

Source: Author's calculations.
Note: There is no state income tax in South Dakota and Wyoming.

III. Sales and Use Taxes

Sales tax is an important component of state and local government revenue. The sales tax rate imposed on the purchases of households varies considerably across the selection of states in this study. And, the sales tax has potential to be regressive, that is, to fall more heavily on lower-income households. This is because sales tax is more frequently applied to goods than services, and when applied to services, it is applied to personal services and entertainment. High-income households spend a larger share of their income on other types of services, which are not subject to the sales tax.

The amount of sales tax paid by households is a function of two factors:

- The amount spent on goods and services that is subject to sales and use tax
- The tax rate charged.

Purchases Subject to Sales Tax

This study identifies five income ranges and uses the Consumer Expenditure Survey to apply these income ranges to seven household profiles. The U.S. Department of Labor, Bureau of Labor Statistics publishes the *Consumer Expenditure Survey*. The data is collected through two surveys--the quarterly interview survey and the dairy survey-- to provide information on American consumer buying habits based on region, age group, and income bracket. For households under age 65, we used the *Consumer Expenditure Survey* for the Midwest Region for detailed data on expenditures of households by income bracket. For retiree households, we used the national *Consumer Expenditure Survey* for detailed data on expenditures of households age 65 or over. This national data is not broken down by income bracket. Since expenditure data for all states came from the same sources, the taxable sales reported below are the same in those cases where state tax codes are the same. Likewise, there are differences when states have different policies about which goods and services are subject to the sales tax.

The data breaks down expenditures by category and then subcategories. For example, there is the food category and then the foods at home, foods away from home subcategories. Based on the sales tax codes of each individual state, we determined whether each category was subject to sales tax or exempt from sales tax to determine the total amount of taxable purchases made by the consumer.

There are several drawbacks of using the *Consumer Expenditure Survey*. First, the subcategories sometimes contain both taxable and non-taxable items. For example, the drugs category includes both prescription and over-the-counter drugs and medical care items. Prescription drugs are not subject to sales tax while over-the-counter drugs are. When this occurred we assumed the categories were composed of mainly non-taxable items and therefore did not tax the category. The second drawback is that the expenditure amounts reported by the consumers are not in pre-sales tax dollars. To account for this we used the following equation to arrive at the total sales tax paid:

Sales tax paid = amount spent on item-[amount spent on item/ (1+sales tax rate)].

There are also differences in the tax base between states because each state government sets the tax base. Addressing the variance in the basket of goods and services on which sales tax is levied was mostly resolved by scouring the annual reports of the respective departments of revenue and their related statistics and tax policies[1]. The average total sales tax rate was applied to each profile and its basket of goods and is reported below.

Key features of each state's tax code are summarized below:

- Colorado is one of only two states that do not place a sales tax on most utilities (electricity, natural gas, water, fuel oil, and other fuels). The state of Colorado does not tax food, and is the only state to specifically allow local municipalities to

[1] 2006 Colorado Department of Revenue Annual Report

2006 Iowa Retail Sales and Use Tax Report

2006 Iowa Department of Revenue Annual Report

2006 State of Kansas Department of Revenue Annual Statistical Report

2006 Missouri Department of Revenue Financial and Statistical Report

2005 Nebraska Department of Revenue Annual Report

2006 State of South Dakota Department of Revenue and Regulation Annual Report

2006 Wyoming Department of Revenue Annual Report levy sales tax on food products. To determine this rate we calculated a weighted average of local sales tax rates (including cities that did not impose sales tax on food) with the weights based on city populations. Our findings showed Colorado has an average sales tax on food of 0.63%.

- Kansas is one of three states to levy state sales tax on food products. Kansas has a sales tax of utilities, but the rate is well below the standard sales tax rate.
- Missouri is one of only two states that do not place a sales tax on utilities (electricity, natural gas, water, fuel oil, and other fuels). Missouri is one of three states that levies a state sales tax on food products. The levy is less than the standard state sales tax rate, however. The rate imposed on food is 1.26%.
- Nebraska, like Iowa, exempts taxes on most types of food. Nebraska puts a sales tax on food purchased for immediate consumption, but not on groceries. Nebraska applies sales tax to most utilities, and applies the average statewide rate to food, utilities, and all other items. Data on taxable sales from local sources is from 2005.
- South Dakota is one of three states to levy state sales tax on food products. South Dakota offers a food sales tax refund to the lower-income brackets[2]. For example, a household of 2 with a monthly income of $1,712 can receive a maximum refund of $47 quarterly. A household of 3 with a monthly income of $2,147 can receive a maximum refund of $68 quarterly. For the purpose of the study, we assumed that the profiles eligible for the food tax refund received the full amount. South Dakota's data includes a contractor's excise tax of 2% which is not included in data from other states and which could not be subtracted from local tax revenues with data available publicly. The main difference is that vehicle purchases are not subject to sales tax in South Dakota.

[2] Information regarding South Dakota's food tax refund program can be found at http://dss.sd.gov/ea/salestaxonfood/

- Wyoming's data may artificially inflate the sales tax burden on all profiles since use tax revenues paid by mining companies constitute a large portion of state, local, and use tax (28.4%) revenues.

Based on each state's tax code, we estimated the taxable purchases of all seven household profiles in Nebraska and the six surrounding states. As noted above, some states had differential tax rates for food, utilities, and other items, so it was necessary to calculate the taxable sales in each of those three categories. This is done in Table III.1a, Table III.1b, and Table III.1c.

Table III.1a
Estimated State and Local Sales Tax Base for Food

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Low Income Married	$3,387	$1,078	$3,387	$3,387	$1,069	$3,387	$1,069
Middle Income Married	$7,234	$3,206	$7,234	$7,234	$3,206	$7,234	$3,206
High Income Married	$10,464	$4,970	$10,464	$10,464	$4,970	$10,464	$4,970
Middle Income Head of Household	$3,808	$1,434	$3,808	$3,808	$1,434	$3,808	$1,434
Middle Income Single	$3,206	$1,020	$3,206	$3,206	$1,012	$3,206	$1,012
Low Income Retired	$3,252	$961	$3,252	$3,252	$961	$3,252	$961
Middle Income Retired	$4,485	$1,678	$4,485	$4,485	$1,678	$4,485	$1,678

Source: Author's calculations.

Table III.1b
Estimated State and Local Sales Tax Base for Utilities

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Low Income Married	$726	$2,405	$1,440	$2,405	$2,405	$2,405	$2,405
Middle Income Married	$1,277	$3,826	$2,138	$3,826	$3,826	$3,826	$3,826
High Income Married	$1,610	$4,947	$2,770	$4,947	$4,497	$4,947	$4,947
Middle Income Head of Household	$749	$2,518	$1,513	$2,518	$2,518	$2,518	$2,518
Middle Income Single	$687	$2,277	$1,363	$2,277	$2,277	$2,277	$2,277
Low Income Retired	$669	$2,774	$1,732	$2,774	$2,804	$2,774	$2,774
Middle Income Retired	$936	$3,481	$2,078	$3,481	$3,481	$3,481	$3,481

Source: Author's calculations.

Table III.1c
Estimated State and Local Sales Tax Base for All Other Items

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Low Income Married	$6,488	$6,336	$6,439	$6,820	$7,773	$5,571	$7,186
Middle Income Married	$17,484	$17,355	$17,636	$18,543	$20,420	$12,246	$19,596
High Income Married	$28,425	$28,839	$29,218	$30,459	$33,293	$22,284	$32,619
Middle Income Head of Household	$7,954	$7,751	$7,849	$8,400	$9,237	$5,606	$8,794
Middle Income Single	$6,141	$5,997	$6,095	$6,456	$7,358	$5,273	$6,802
Low Income Retired	$6,930	$6,826	$6,898	$6,826	$8,250	$5,960	$7,225
Middle Income Retired	$11,773	$11,655	$11,792	$12,453	$13,547	$9, 247	$13,100

Source: Author's calculations.

Sales Tax Rates

This estimate of taxable sales is only a start. Average tax rates also need to be estimated to estimate the total sales tax levied on purchases by the seven types of households in each of the seven states. This tax rate is difficult to estimate. Most states have a local (city or county) sales tax option as well as a state rate, and different localities make choices about whether to levy a sales tax, and whether to levy the maximum local option. This makes it difficult to determine an average statewide state and local sales tax rate. To solve this problem, a simple proportional analysis was applied to each state. We compared the state sales tax and collected state sales tax revenues with the total collected local sales tax revenues to find the average local sales tax rate in each state.[3] The average aggregate (state and local) sales tax rate then was computed by adding the base state sales tax rate to the average local sales tax rate, as is done in Table III.2 below. The table shows that Kansas has the highest total aggregate sales tax rate and Colorado has the lowest. In Table III.2, we also reported the rate that applies to food and utilities. As described above, these rates can differ in some states.

[3] The equation used was:

State Sales tax rate / State Sales Tax Revenues = Local Sales Tax Rate/Local Sales Tax Revenues

Table III.2
Estimated State and Local Sales Tax Rates [4]

	Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
State Revenues (In Millions)	$2,105	$1,859	$2,005	$2,867	$1,196	$585	$623
Local Revenues (In Millions)	$1,098	$514	$796	$2,086	$281	$241	$178
State Base Rate	2.90%	5.00%	5.30%	4.23%	5.50%	4.00%	4.00%
Local Average Rate	1.51%	1.38%	2.10%	3.00%	1.29%	1.64%	1.14%
Aggregate Total Sales Tax Rate	4.41%	6.38%	7.40%	7.23%	6.79%	5.64%	5.14%
Tax Rate for Food	0.63%	6.38%	7.40%	3.5%	6.79%	5.64%	5.14%
Tax Rate for Utilities	4.41%	6.38%	2.04%	7.23%	6.79%	5.2%	5.14%

Note: In 3 cases, states had differential tax rates within the food, utility, or other item categories. In these cases, the weighted average tax rate was calculated. South Dakota has a different sales tax rate for telephone services versus other utilities. Missouri has a lower sales tax rate for food at home than for food away from home. Missouri also has different sales tax rates for used and new vehicles. This implies that an average of approximately 7.00% was applied for all other services rather than the standard 7.23% listed in the table above.

Sales Tax Burden

To calculate the total tax burden for each profile we took the taxable sales in Table III.1a through III.1c and multiplied it by the sales tax rates in Table III.2. This yielded the sales tax paid on purchases made by the seven types of households in each state. Results are presented for each state in Table III.3.

The sales taxes levied as a share of adjusted gross income is reported in Table III.4. The percentage was derived by dividing taxes in Table III.3 by household income for each household profile (see Table I.1). The data and computations from this study suggest several conclusions. Colorado is a low sales tax burden state; and Kansas and Nebraska are high sales tax burden states. While several factors influence sales tax burden, by far it is most influenced by two factors: variation in aggregate sales tax rate

[4] See footnote 1 for information on data sources for each state.

and variation in basket of goods and services taxed (namely food and utilities). Additionally, all states show elements of regressivity in their sales tax structure. The effective sales tax rate diminishes as income increases.

Table III.3
Estimated Sales Tax Paid by Household Profile and State

Household Profile	CO	IA	KS	MO	NE	SD	WY
Low Income Married	$339	$626	$756	$655	$764	$357	$548
Middle Income Married	$873	$1,556	$1,885	$1,717	$1,864	$1,294	$1,369
High Income Married	$1,390	$2,472	$2,995	$2,587	$2,934	$2,100	$2,186
Middle Income Head of Household	$408	$747	$894	$729	$896	$661	$655
Middle Income Single	$321	$593	$716	$601	$723	$595	$519
Low Income Retired	$355	$674	$787	$645	$816	$665	$563
Middle Income Retired	$589	$1,073	$1,248	$1,076	$1,270	$955	$939

Source: Author's calculations.

Table III.4
Estimated Sales Tax Burden by Household Profile and State

Household Profile	CO	IA	KS	MO	NE	SD	WY
Low Income Married	1.81%	3.34%	4.03%	3.49%	4.07%	1.90%	2.92%
Middle Income Married	1.36%	2.43%	2.94%	2.68%	2.91%	2.02%	2.13%
High Income Married	1.05%	1.87%	2.26%	1.95%	2.22%	1.59%	1.65%
Middle Income Head of Household	1.68%	3.08%	3.68%	3.01%	3.69%	2.72%	2.70%
Middle Income Single	1.81%	3.34%	4.03%	3.38%	4.07%	3.35%	2.92%
Low Income Retired	1.89%	3.59%	4.19%	3.44%	4.35%	3.54%	3.00%
Middle Income Retired	1.55%	2.82%	3.28%	2.83%	3.34%	2.51%	2.47%

Source: Author's calculations.

IV. Property Taxes

Property taxes are a principal component of tax payments to local government, whether city government, county government, school district, or various special tax jurisdictions. As a revenue source for all of these government activities, it is not surprising that property taxes are a significant share of the overall state and local tax burden in Nebraska and most surrounding states.

In what follows, we estimated the direct burden of taxes placed on homeowners (or the share of property taxes paid by renters) for the seven taxpayer profiles examined in this study.

In general, the property tax burden was not expected to be as progressive as the income tax burden. Low income households face a similar, or even larger, burden than high income households because property taxes are essentially a "flat tax" in most states, meaning that the same tax rate is applied to property regardless of value. A household that owns a home worth $50,000 pays the same tax rate on property as a family owning a home worth $250,000. The property tax burden varies among households within a state, however, because the average value of a home (or rental unit) varies a great deal by the income class and family structure. Generally among working-age families, higher-income families are more likely to own their home rather than rent, and own a more expensive home. Further, larger families such as married families are more likely to spend more on housing space. Retired families are more likely to own a home, even when their current income is very low. For all of these reasons, the property tax burden as a share of income can vary a great deal within a state based on the family income or family structure (retired, married filing jointly versus head of household or single).

The property tax burden also varies a great deal between states. This occurs for two reasons. First, the cost of living, including the price of homes, differs a great deal between states in our sample. The cost of living is substantially higher in the mountain states of Colorado and Wyoming. This implies that homeowners in each income class will need to pay more for their home, that is, will have more taxable property in these states with a higher cost of living. The second reason is that the "effective" rate of taxation on property can vary a great deal between states. Some states assess property (for taxation purposes) at nearly the market value while other states assess at well below market value. Tax rates on assessed property values also differ substantially between states. States with low assessment rates tend to have higher tax rates, but the combination of the two creates the “effective” tax rate for each state.

Given this background, the key tasks for establishing the property tax burden for each of the seven household profiles in each state were to:

- Estimate the average market value of the owned home (or rent of the rental unit) for each household profile in each state.
- Determine the effective property tax rate that is charged in each state.

Property Tax Base

Detailed housing data from the *American Community Survey* (ACS) was used to estimate the average market value of homes by income group in each state. The same source was used to determine average rent by income group by state. The U.S. Bureau of Census conducts the ACS annually, sending the survey to approximately 3 million addresses each year. For homeowners, the ACS gathers information on both household income and the value of the home owned by survey respondents. For renters, the ACS gathers information on household income and the average monthly rent paid by survey respondents. This data can be used to estimate the relationship between household income and the average value of a home or the monthly rent. Table IV.1 shows these average values by household income.

Housing costs are generally higher in Colorado than in the other states. Home values also are higher in Wyoming. Home and rent values are similar in Nebraska, Kansas, Iowa, and South Dakota. Missouri values are slightly higher than in those four states.

Table IV.1
Average Home Values and Monthly Rent by Income Class Per State

					Value of Home			
Household Income		Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Less than $10,000		$205,401	$91,159	$84,346	$100,577	$97,236	$101,746	$109,665
$10,000 to $19,999		$181,948	$93,027	$82,813	$104,879	$98,356	$90,400	$123,887
$20,000 to $34,999		$203,358	$104,265	$94,906	$118,862	$106,743	$104,441	$143,441
$35,000 to $49,999		$221,742	$119,011	$110,435	$137,121	$118,639	$119,740	$166,572
$50,000 to $74,999		$248,090	$135,782	$132,975	$159,669	$141,644	$137,676	$182,393
$75,000 to $99,999		$289,444	$165,604	$167,168	$187,945	$168,325	$167,074	$201,393
$100,000 or more		$386,460	$233,943	$255,103	$284,919	$239,317	$239,496	$287,530
					Monthly Rent			
		Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Less than $10,000		$593	$455	$471	$442	$448	$349	$461
$10,000 to $19,999		$681	$537	$510	$521	$530	$462	$496
$20,000 to $34,999		$780	$571	$610	$593	$610	$472	$528
$35,000 to $49,999		$860	$599	$671	$674	$643	$577	$624
$50,000 to $74,999		$986	$682	$750	$753	$690	$616	$743
$75,000 to $99,999		$1,103	$739	$861	$822	$797	$789	$664
$100,000 or more		$1,239	$815	$993	$1,014	$841	$570	$804

Source: Author's calculations based on *American Community Survey*.

Property Tax Rates

Property tax payments vary based on assessment rates and tax rates, as well as by property value and rent amounts. Table IV.2 shows the assessment rates and tax rates for homes in each of the states. The "effective" tax rate is the rate that would be charged on a 100% assessment. For example, if a state charged a rate of $4 per $100 in property tax, but only assessed residential property at a rate of 50% of value, then the effective property tax rate would be $2 per $100 in property tax (or .02). Tax rates for Nebraska include the recent state efforts to reduce property taxes for local government.

Assessment rates vary between states:

• Colorado assesses property at far below market value but then charges a high tax rate on assessed property.[5] Colorado also has a lower assessment rate for residential property (8%) then for commercial property (29%), but assesses multi-unit apartment buildings at the residential rate, just like owner-occupied homes. Colorado provides a 50% property tax credit for seniors for up to $200,000 of the

[5] Source: Department of Local Affairs, Division of Property Taxation, State of Colorado. *Thirty-sixth Annual Report to the Governor and the General Assembly, 2006.* (April 2007).

value of their home. Both low and middle income seniors benefit from the credit. We assumed that seniors meet the stringent 10-year residency requirement to qualify for the credit.

• Iowa also assesses property at below market value, but not as far below as other states such as Colorado, Kansas, and Missouri. Iowa assesses residential property at 45% of market value and commercial property at market value, and many, multi- unit apartment buildings are assessed as commercial property.[6] Iowa charges a high tax rate on assessed value so that the effective tax rate is higher in Iowa than other states, particularly for apartment buildings (we assumed that one-half of apartment buildings qualify for the residential rate, and one-half qualify for the commercial rate). Iowa is one of two states with a different effective property tax rate for homeowners and renters. Iowa offers a property tax credit to all homeowners on the first $4,850 in home value. Property tax credits for Iowa retirees require household income (which includes Social Security as well as adjusted gross income) below $18,900, so retiree households in our study do not qualify for the credit.

• Kansas also assesses property at far below market values, and then charges a high tax rate on assessed property.[7] The resulting effective property tax rate is moderate. Kansas has a lower assessment rate for residential property (11.5%) than for commercial property (25%). Apartment buildings are assessed at the residential rate. Kansas offers a property tax credit both to retirees and households with children under age 18, whether these lower-income households own a home or rent. Household income must be below $28,000. Given this income limit, lower -income married households, and head of household households qualify to receive a credit (some portion of the $600 limit). Lower- and middle-income retirees,

[6] Source: Property Tax Division, Iowa Department of Revenue, “Property Tax in Iowa” (September 2007) and “An Introduction to Iowa Property Tax” (August 2007).

[7] Source: Department of Revenue, State of Kansas. *Annual Statistical Report for Fiscal Year Ending June 30, 2006.* (January 2007).

however, do not qualify for the credit. This is because Social Security income (approximately $15,000 per lower-income retiree household) must be added to adjusted gross income for calculations of household income in Kansas.

• Missouri also assesses property at far below market values, then charges a high tax rate on assessed property. The resulting effective rate is moderate. Missouri has a lower assessment rate for residential property (11%) than for commercial property (32%), but assesses multi-unit apartment buildings at the residential rate, just like owner-occupied homes. Missouri offers a property tax credit for retirees with household income below $27,000. Given this income limit, lower- and middle-income retirees do not qualify for the credit because Social Security income must be added to adjusted gross income for calculations of household income in Kansas.

• Nebraska assesses both residential and commercial real property at near the full market value. There is no differentiation between assessment rates for residential and commercial property, although agricultural land is assessed at 75% of market rate. The tax rate on assessed property is not high, but the effective rate is the third highest among states, given that property is assessed at the full market rate.[8] Nebraska figures also reflect the property tax credit of approximately 4% passed by the Legislature in 2007 (LB367). Nebraska offers a property tax credit for retirees. The household income limit is $34,500 so lower-income retirees are eligible for a 25% tax exemption on (in most cases) the full value of their property even though household income includes both adjusted gross income and Social Security income.

• South Dakota assesses both residential and commercial real property at 85% of the full market value. One interesting feature is that a different tax rate is levied

[8] Source: Property Assessment Division, Nebraska Department of Revenue. "State Totals 2005-2006 Compare Value & Taxes by Subdivision and Property Type." Available online at http://pat.ne.gov/researchReports/valuation/index.html

for owner-occupied property relative to commercial property. Apartments are included in commercial, which pays a rate one-third higher than owner-occupied property.[9] Thus, South Dakota is one of two states that has a different effective property tax rate for homeowners and renters. South Dakota offers a property tax credit for retirees, but the household income limit is below $10,000, so low that neither the low income nor the middle income retiree households qualify for the credit.

• Wyoming assesses both residential and commercial real property at 9.5% of market value. This is possible because mine property and other resource-related properties are assessed at near full market value.[10] The effective property tax rate for Wyoming is the lowest in the seven states. Wyoming offers a property tax credit for retirees. However, the lower-income retirees in our study do not qualify for the credit due to income limits.

Table IV.2
Effective Property Tax Rates by State

State	Property Tax Rate	Assessment Rate	Effective Property Tax Rate
Colorado	7.93%	0.08	0.63%
Iowa – Homeowner	5.77%	0.46	2.63%
Iowa- Renter	5.77%	0.73	4.20%
Kansas	11.73%	0.115	1.35%
Missouri	7.91%	0.19	1.50%
Nebraska	1.97%	0.96	1.90%
South Dakota – Homeowner	1.77%	0.85	1.51%
South Dakota – Renter	2.36%	0.85	2.00%
Wyoming	6.65%	0.095	0.63%

Sources: See footnotes 6 through 11.

[9] Source: South Dakota Department of Revenue and Regulation. *2007 Annual Report*

[10] Source: Department of Revenue, State of Wyoming. *2007 Annual Report*

The effective tax rates from Table IV.2 were applied to the home values in Table IV.1 to estimate the property tax paid for each of our households. Recall that middle and high income working-age married couples and the low and middle income retired households were assumed to be homeowners. The low income married households, the head of household households, and the single households were all assumed to be renters. For renters, we made a standard assumption that 45% of rent goes toward operations and taxes. We then capitalized the remaining 55% of monthly rent to yield the market value of the property, and then applied the effective tax rate.[11] The property taxes paid by each household are listed in Table IV.3.

Table IV. 3
Estimated Property Tax Payments by Household Profile and State

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Low Income Married	$412	$2,110	$398	$748	$963	$855	$293
Middle Income Married	$1,566	$3,444	$1,793	$2,400	$2,684	$2,075	$1,151
High Income Married	$2,439	$6,025	$3,440	$4,282	$4,535	$3,609	$1,815
Middle Income Head of Household	$452	$2,202	$664	$818	$1,060	$868	$306
Middle Income Single	$407	$2,100	$658	$740	$952	$854	$291
Low Income Retired	$574	$2,319	$1,117	$1,074	$1,309	$1,362	$782
Middle Income Retired	$768	$3,002	$1,489	$2,061	$2,248	$1,805	$1,052

Source: Author's calculations.
[1] All or most property taxes are collected by local governments.

For homeowners, results consistently show that the property tax payments are modestly higher in South Dakota and Iowa than in Nebraska. Property tax payments are slightly higher in Nebraska than in Missouri. The lowest rates are in Kansas, Colorado, and Wyoming.

Property tax payments are naturally higher for higher-income households. In Table IV.4, payments are divided by household income to estimate the property tax burden as a percentage of income. There is evidence that the property tax is regressive. The property tax as a share of income is higher for middle income married couples than

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[11] The average property tax payment burden estimated for rental properties in the 7 states accounted for 17% of monthly rental payments, just below the 20% assumption suggested for use by the report *Tax Rates and Tax Payments in the District of Columbia – A Nationwide Comparison* produced by the Government of the District of Columbia.

for high income married couples. The property tax as a share of income is also higher for low income retirees than middle income retirees.

It is not possible to directly compare property tax as a share of income between renters and homeowners because a portion of the property tax for renters is paid by landlords rather than passed through to their tenants. But, within the three categories of households that we classified as renters, property tax as a share of income is higher for both low income married households and single households than for household households (single parents with children). Recall that low income married households and single households had lower adjusted gross income than head of household households.

Table IV. 4
Estimated Property Tax Burden as Share of Income by Household Profile and State

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	South Dakota	Wyoming
Low Income Married	2.19%	11.25%	2.12%	3.99%	5.14%	4.56%	1.56%
Middle Income Married	2.44%	5.37%	2.80%	3.74%	4.19%	3.24%	1.80%
High Income Married	1.84%	4.55%	2.60%	3.23%	3.42%	2.72%	1.37%
Middle Income Head of Household	1.86%	9.07%	2.74%	3.37%	4.37%	3.58%	1.26%
Middle Income Single	2.29%	11.82%	3.71%	4.17%	5.36%	4.81%	1.64%
Low Income Retired	3.06%	12.35%	5.95%	5.72%	6.97%	7.26%	4.17%
Middle Income Retired	2.02%	7.90%	3.92%	5.42%	5.92%	4.75%	2.77%

Source: Author's calculations.
[1] All or most property taxes are collected by local governments.

V. Summary

This study has examined the level and distribution of the taxes placed on households in Nebraska and six surrounding states. The analysis examined the three major tax categories of income, sales, and property taxes at the state and local level. Taxes were examined for seven household profiles including working-age married couples, singles with children (head of household), working-age singles, and retired married couples. Most profiles were examined at the median (50^{th} percentile) income level, but for working-age married couples we also considered lower-income (10^{th} percentile) and higher-income (90^{th} percentile) households. For retirees, we also considered a lower-income (25^{th} percentile) household.

The study made several general findings about the taxes placed on different groups of households. The income tax in most states is a progressive tax, meaning that higher-income households pay a larger share of their income to state income taxes. The property and sales tax are regressive taxes. Lower-income households spend a large share of their income on housing or on items subject to sales tax. As a consequence, property and sales taxes account for a larger share of the tax burden of lower-income households. The net result, as seen in Table V.1 below, is an overall tax burden that is relatively even among different household profiles, although it is somewhat regressive in states such as South Dakota and Wyoming that do not have an income tax. With the exception of South Dakota and Wyoming, taxes as a share of adjusted gross income are similar for middle income and high income married households.

Finally, in reviewing results, note that it is most appropriate to compare homeowner households (low and middle income married, and low and middle income retirees) with other homeowner households, and renter households (the other 3 household profiles) with other renter households. This is because only a portion of the property taxes placed on rental property is ultimately passed on to renters, while a portion is borne by landlords. Among renters, taxes as a share of adjusted gross income are similar for heads of household (single with 1 child) and lower-income married couples (with 1 child), even though head of household incomes are roughly 30% higher

Table V.1
Estimated Income, Sales, and Property Tax Burden by Household Profile and State

Household Profile	**CO**	**IA**	**KS**	**MO**	**NE**	**SD**	**WY**
Low Income Married	4.00%	16.05%	3.92%	7.92%	7.91%	6.46%	4.48%
Middle Income Married	6.37%	12.13%	8.53%	9.04%	9.71%	5.26%	3.93%
High Income Married	6.41%	12.07%	9.11%	8.88%	10.16%	4.31%	3.02%
Middle Income Head of Household	5.48%	15.08%	7.19%	8.05%	8.87%	6.30%	3.96%
Single	6.54%	18.12%	10.00%	9.24%	11.16%	8.16%	4.56%
Low Income Retired	4.95%	18.46%	11.39%	7.84%	11.32%	10.80%	7.17%
Middle Income Retired	3.98%	14.81%	9.18%	8.90%	10.86%	7.26%	5.24%

Source: Author's calculations.

Caution also should be taken in comparing taxes as a share of adjusted gross income across states. This is because some states have policies that charge higher effective property tax rates for businesses than households. For example, the effective property tax rate for mining and resources businesses is 10 times higher in Wyoming than for households (and other businesses). The effective property tax rate in Colorado is 4 times higher for businesses than for households, while it is 3 times higher in Missouri, 2.5 times higher in Kansas, 2 times higher in Iowa, and 0.33 higher in South Dakota. The effective property tax rate is the same for business and households in Nebraska. With the exception of Wyoming, these strategies do not really shift the tax burden for households. The higher effective tax rates for businesses just raise the prices that households must pay for goods and services purchased in the state.

The overall results in Table V.1 are consistent with findings from other sources about the overall (both business and households) state and local tax rates in states (see Appendix A). Iowa and Nebraska, and to a lesser extent Kansas, are among the higher tax states. Colorado and South Dakota are among the lower tax states, Missouri falls somewhere in the middle.

Appendix A—Aggregate Tax Burdens

The main goal of this study was to show the 2007 tax burden on a set of hypothetical taxpayers in Nebraska and the six contiguous states. Information provided in Appendix A shows overall or aggregate tax burdens. In some ways the numbers in this appendix are probably more significant, however, they are also less current.

A.1 Overall Tax Burden

Table A.I shows total state and local tax revenues as a share of income in each of the seven states. Data is presented for 2002, the year the last Census of Government was undertaken. The Census of Government data is needed in order to capture comprehensive information about the sources of revenue for local government. While several years old, Table A.1 provides a recent snapshot of the overall tax burden in the states.

Table A.1
Local and State Tax Revenue as a Share of State Adjusted Gross Income, 2002

State	**Tax Revenue as a Percent of Adjusted Gross Income**
Colorado	13.4%
Iowa	15.8%
Kansas	15.5%
Missouri	14.3%
Nebraska	**16.7%**
South Dakota	14.4%
Wyoming	17.4%

Sources: *Statistical Abstract of the United States, 2004 and 2007,* and *U.S. Statistics of Income.*

The results show that state and local tax revenue account for the largest share of income in Wyoming. Setting aside Wyoming, tax revenue is the highest share of income in Nebraska, closely followed by Iowa and Kansas. Taxes as a share of income are significantly lower in Colorado and Missouri, and particularly in South Dakota. These patterns, to some extent, are also seen in the tax burden analysis of households in each state that were presented in this report. For example, the tax burden is higher for many classes of households in Iowa and Nebraska.

The results in Table A.1, however, do not just reflect the taxes levied on households. These include the taxes paid by businesses as well. In some ways, this is the most appropriate measure since taxes paid by businesses often are “passed through” to their customers in the form of higher prices. Households, therefore, also indirectly pay many of the taxes levied on state businesses in the form of higher costs. In other words, the “incidence” of business taxes often falls primarily on households within the same state. However, taxes that are levied on businesses that sell to customers located outside the state, such as property taxes on the mines operating in Wyoming, tend to fall on mining company owners and customers, both of which are primarily located out of the state. Similarly, sales taxes paid by the proportionally large number of tourists visiting Colorado and South Dakota tend to fall on out-of-state visitors. The high percentage for Wyoming partly represents the “exporting” of taxes to parties outside of the state, as opposed to placing a high burden on Wyoming households.

In most states, however, taxes on businesses are primarily passed through to households in the state. The analysis in this report for the most part was unable to capture these types of indirect tax burdens placed on households as they face the incidence of local business taxes.[12] The focus was on the direct tax burden paid by households through income, property, and sales taxes. Results of tax burden also were presented for the seven household profiles. The result was a detailed analysis of both the difference in tax burden between states, and between different income groups within states.

A.2 Income Tax Burden

Table A.2. shows income tax revenue as a share of state income data is from 2002 Census of Government, which is the last year that detailed revenue data is available for local areas. However, most income taxes are primarily state tax levies. While slightly dated, this 2002 data shows a recent snapshot of the size of the overall income tax burden in the states.

[12] Some studies are able to capture both the direct and indirect tax burden on households through the use of computable general equilibrium models of the economy. While the University of Nebraska-Lincoln Bureau of Business Research has developed and maintains such a model for the State of Nebraska, it does not maintain a model for the six surrounding states.

Table A.2
Local and State Individual Income Tax Revenue as a Share of State Adjusted Gross Income, 2002

State	Individual Income Tax Revenue as Percent of Income
Colorado	3.4%
Iowa	3.4%
Kansas	3.6%
Missouri	3.7%
Nebraska	3.6%
South Dakota	0.0%
Wyoming	0.0%

Sources: *Statistical Abstract of the United States, 2004 and 2007,* and *U.S. Statistics of Income.*

These state tax figures exclude corporate income taxes, and therefore, reflect the tax burden placed directly on households overall in each state.

A.3 Sales Tax Burden

Sales tax policies and rates vary a great deal in the seven states we examined. This is demonstrated in Table A.3 which shows sales and use tax collected by state and local government in each state as a share of state personal income. This figure includes sales taxes paid by business as well as households, but still demonstrates general patterns and how the burden can vary significantly by state. Data is presented for 2002 because this is the last year that comprehensive revenue data was collected for local governments, as part of the 2002 Census of Government.[13]

[13] Data used is from the 2006 US Statistical Abstract Tables 439, 441 and 661

Table A.3
Local and States Sales Tax Revenue as a Share of State Adjusted Gross Income, 2002

State	**Sales Tax Revenue as a Percent of Adjusted Gross Income**
Colorado	4.2%
Iowa	4.0%
Kansas	4.7%
Missouri	4.5%
Nebraska	4.3%
South Dakota	5.3%
Wyoming	5.7%

Sources: *Statistical Abstract of the United States, 2004 and 2007,* and *U.S. Statistics of Income*.

Results show that sales tax revenue as a share of income is highest in Wyoming and South Dakota, followed by Kansas. Nebraska has an average share. These aggregate figures will not necessarily correspond with the burden on households. For example, some states are better able to "export" their sales tax burden to residents and business in other states. Tourists pay a larger share of the sales tax in states such as South Dakota, Colorado, and Wyoming. In Wyoming, a significant share of the use tax is paid by mining companies.

A.4 Property Tax

Table A.4 below shows total local and state property tax revenue as a share of personal income in each of the seven states. Data is presented for 2002, the last year when detailed tax revenue data is available for local governments, from the 2002 Census of Government. Property tax revenue (primarily paid to local government) accounted for a significant share of personal income in the seven states, ranging from 2.4% of personal income in Missouri to 4.5% in Wyoming. These figures represent property tax payments made by both households and businesses. In Wyoming, more than two-thirds of assessed property value is business property, principally mines. Thus, much of the Wyoming property tax is essentially exported outside Wyoming to the owners and customers of mining companies. Therefore, the 4.5% figure may substantially overstate the burden faced by households within the state. Setting aside Wyoming, property taxes range between 2.4% and 3.5% of income. The property tax burden is higher in Nebraska and Iowa, followed closely by South Dakota and Kansas. By far the lowest property tax burdens are found in Missouri and Colorado.

Table A.4
Local and State Property Tax Revenue as a Share of State Adjusted Gross Income, 2002

State	Property Tax Revenue as Percent of Adjusted Gross Income
Colorado	4.0%
Iowa	5.5%
Kansas	4.9%
Missouri	3.7%
Nebraska	5.5%
South Dakota	5.2%
Wyoming	6.6%

Sources: *Statistical Abstract of the United States, 2004 and 2007, and U.S. Statistics of Income.*

[1] All or most property taxes are collected by local governments.

Appendix B—Effect of LB367 Tax Reductions (Nebraska Tax Relief Bill)

LB367 (2007) which is arguably the largest tax cut in Nebraska history made significant reductions to property and income taxes, as well as making some more limited sales tax changes and eliminating the Nebraska estate tax.

The tables below show the difference in taxes for our seven hypothetical households had LB367 not been passed this spring.

Table B.1 Effect of LB367 Income Tax Cuts

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	Nebraska*
Low Income Married	$0	$273	$418+	$82	$244+	$195+
Middle Income Married	$1,646	$2,775	$1,792	$1,682	$1,675	$1,773
High Income Married	$4,662	$7,481	$5,631	$4,998	$5,987	$6,125
Middle Income Head of Household	$470	$712	$188	$406	$196	$227
Single	$433	$525	$400	$301	$308	$307
Low Income Retired	$0	$473	$235	$248+	$0	$16
Middle Income Retired	$155	$1,554	$752	$246	$631	$703

** Nebraska WithoutLB367 "Marriage Penalty" Tax Cut*

Table B.2 Effect of LB367 Property Tax Cuts

Household Profile	Colorado	Iowa	Kansas	Missouri	Nebraska	Nebraska*	South Dakota	Wyoming
Low Income Married	$412	$2,110	$398	$748	$963	$1002	$855	$293
Middle Income Married	$1,566	$3,444	$1,793	$2,400	$2,684	$2,791	$2,075	$1,151
High Income Married	$2,439	$6,025	$3,440	$4,282	$4,535	$4,716	$3,609	$1,815
Median Income Head of Household	$452	$2,202	$664	$818	$1,060	$1,102	$868	$306
Median Income Single	$407	$2,100	$658	$740	$952	$990	$854	$291
Low Income Retired	$574	$2,319	$1,117	$1,074	$1,309	$1,361	$1,362	$782
Median Income Retired	$768	$3,002	$1,489	$2,061	$2,248	$2,338	$1,805	$1,052

**Nebraska Without LB367 Property Tax Credit*