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## Proposed income tax reduction eliminates more jobs than it creates *For every job created, 1.63 jobs will be lost.*

**Topeka, Kan.** – The Kansas Economic Progress Council today released research, which analyzes the economic impact of Kansas income tax reductions. The purpose of the study was to provide public officials, businesses, and the general public with information on the affect of reductions on the economy and resulting state spending cuts.

Some of the report's other major findings:

- For every job created by a reduction in Kansas income tax rates, 1.63 jobs would be lost by an equal reduction in state spending.
- For every dollar of labor income generated by a reduction in state income taxes, \$1.78 would be lost by an equal reduction in state spending.
- For every dollar of value added generated by a reduction in income tax rates, \$1.34 would be lost by an equal reduction in state spending.
- For every dollar of total output generated by a reduction in income taxes, \$1.09 would be lost by an equal reduction in state spending.
- A high percentage of government expenditures stay in the state's economy, going to either state employees in the form of salaries or to local businesses for the purchase of goods and services.
- Although most spending by Kansas residents takes place in Kansas, much of the money quickly leaves the economy here because "so few manufactured goods are built within the state."
- A tax reduction disperses the benefits throughout the state, both geographically and across residents. The effect on any individual and on any business is usually minor.
- In contract, spending reductions severely affect a small number of state residents and businesses – state employees and those private-sector businesses that serve state employees and state government directly. The likelihood of a business failing with a spending cut is much greater and will have a ripple effect across the economy.
- Using the tax cut legislation that passed the House of Representatives in 2011, the study concludes "A \$603.5 million reduction in state general fund receipts from proposed income tax rate reductions would be 9.6 percent below receipts under existing income tax rates."

KEPC commissioned this study after House Substitute for Senate Bill 1 passed the Kansas House of Representatives during the 2011 legislative session. That bill used growth in state revenues to reduce

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Kansas income taxes with the purpose of eventually eliminating them. The bill remains alive this year. Governor Brownback and the House Leadership have proposed income tax reduction bills and other proposals are expected. The study was done by Dr. John D. Wong, the Associate Dean of the Division of Urban and Professional Studies at the University of North Texas at Dallas.

Dr. Wong was previously the Interim Director and a Professor in the Hugo Wall School of Urban and Public Affairs at Wichita State University. While in Kansas, Dr. Wong was the principal author of the annual *Governor's Economic and Demographic Report*. He was also a consulting economist for the Kansas Consensus Revenue Estimating Group, the Kansas Department of Revenue, and the Kansas Department of Labor.

He has authored many respected studies, including a study of comparative economic development expenditures in Kansas and neighboring states for Kansas, Inc.

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*The Kansas Economic Progress Council is a not for profit designed to draw together organizations and businesses interested in advancing sound public policy in Kansas to enhance our state's quality of life.*

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