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Lessons for Other States from Kansas' Massive Tax Cuts

By Michael Leachman and Chris Mai

Tax cuts enacted in Kansas in 2012 were among the largest ever enacted by any state, and have since been held up by tax-cut proponents in other states as a model worth replicating. In truth, Kansas is a cautionary tale, not a model. As other states recover from the recent recession and turn toward the future, Kansas' huge tax cuts have left that state's schools and other public services stuck in the recession, and declining further — a serious threat to the state's long-term economic vitality. Meanwhile, promises of immediate economic improvement have utterly failed to materialize.

As other states consider large tax cuts, they should heed these key lessons from Kansas:

- **Deep income tax cuts caused large revenue losses.** Kansas' tax cuts this year are costing the state about 8 percent of the revenue it uses to fund schools, health care, and other public services, a hit comparable to a mid-sized recession. State data show that the revenue loss will rise to 16 percent in five years if the tax cuts are not reversed.
- **The large revenue losses extended and deepened the recession's damage to schools and other state services.** Most states are restoring funding for schools after years of significant cuts, but in Kansas the cuts continue. Governor Sam Brownback recently proposed another reduction in per-pupil general school aid for next year, which would leave funding 17 percent below pre-recession levels. Funding for other services — colleges and universities, libraries, and local health departments, among others — also is way down, and declining.
- **The tax cuts delivered lopsided benefits to the wealthy.** Kansas' tax cuts didn't benefit everyone. Most of the benefits went to high-income households. Kansas even *raised* taxes for low-income families to offset a portion of the revenue loss; otherwise the cuts to schools and other services would have been greater still.
- **Kansas' tax cuts haven't boosted its economy.** Since the tax cuts took effect at the beginning of 2013, Kansas has added jobs at a pace modestly slower than the country as a whole. The earnings and incomes of Kansans have performed slightly worse than the U.S. as a whole as well. (An exception is farmers, whose incomes improved as the state recovered from a drought.) And so far there's no evidence that Kansas is enjoying exceptional business growth: the number of registered business grew more slowly last year than in 2012, and the state's share

of all U.S. business establishments fell over the first three quarters of last year, the latest data available.

- **There's little evidence to suggest that Kansas' tax cuts will improve its economy in the future.** No one knows for certain how Kansas' economy will perform in the years ahead, but it isn't likely to stand out from other states. The latest official state revenue forecast, from November 2013, projects Kansas personal income will grow more slowly than total national personal income in 2014 and 2015.¹

Evidence from other states and academic studies casts further doubt on claims that the tax cuts will cause the state's economy to boom. States that cut taxes the most in the 1990s performed worse, on average, over the course of the next economic cycle than states that were more prudent.² And the academic literature overwhelmingly finds that states with lower personal income taxes perform no better economically than their peers.³

Kansas' Deep Tax Cuts Caused Large and Growing Revenue Losses

When states debate cutting taxes, an obvious fact sometimes gets obscured: deep tax cuts sharply reduce state revenue.

Some tax-cut proponents claim that a state's economy will respond so powerfully to tax cuts that the state will actually take in more revenue *with* the tax cuts than *without* them. This claim has no backing in the serious economic literature, however.⁴ In truth, there's no free lunch: when states cut taxes, they lose revenue. That's certainly what has happened in Kansas.

In May 2012, Governor Brownback signed one the largest tax cuts, in percentage terms, ever enacted by a state in a single year. It included dropping the top income tax rate by about one-fourth and eliminating income taxes entirely on business profits that are "passed through" from businesses to their owners. (See text box for details.) The state's non-partisan Legislative Research Department estimates that Kansas received \$803 million less revenue this year because of the 2012 tax cuts and that the cumulative revenue loss will exceed \$5 billion by 2019.

¹ Kansas Legislative Research Department, consensus revenue estimate, November 2013, http://budget.ks.gov/files/FY2015/CRE_Long_Memo-Nov2013.pdf.

² Michael Leachman, Michael Mazerov, Vincent Palacios, and Chris Mai, "State Personal Income Tax Cuts: A Poor Strategy for Economic Growth," Center on Budget and Policy Priorities, March 21, 2013, <http://www.cbpp.org/cms/?fa=view&id=3936>.

³ Michael Mazerov, "Academic Research Lacks Consensus on the Impact of State Tax Cuts on Economic Growth," Center on Budget and Policy Priorities, June 17, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3975>.

⁴ See pp. 11-12 in Erica Williams and Nicolas Johnson, "ALEC Tax and Budget Proposals Would Slash Public Services and Jeopardize Economic Growth", Center on Budget and Policy Priorities, February 12, 2013. <http://www.cbpp.org/cms/?fa=view&id=3901>.

Details of Kansas' Recent Tax Changes

Kansas' 2012 tax package made three major changes:^a

- *Cut personal income tax rates.* It cut the top two tax rates — previously 6.45 percent on income over \$60,000 and 6.25 percent on income between \$30,000 and \$60,000 (for married couples) — to 4.9 percent on income over \$30,000, and cut the bottom rate — on income under \$30,000 — from 3.5 percent to 3.0 percent.
- *Fully exempted business profits that are “passed through” from the firm to individual owners.* No other state fully exempts these profits from taxation.^b
- *Raised the standard deduction and eliminated a number of tax credits,* including ones that help low-income families, such as a rebate for sales taxes paid on food.

In 2013, the state passed legislation that:^c

- *Cut income tax rates further over the next five years,* with the top rate falling to 3.9 percent in 2018.
- *Established a mechanism for additional income tax rate cuts after 2018* if certain general fund revenues grow by more than 2 percent over the previous year in nominal terms. (Since inflation often exceeds 2 percent, this means that the state might be obligated to cut taxes even in years when revenues grow more slowly than the rate of inflation.) If left unchanged, this mechanism could eventually lead to the state completely repealing its income tax.
- *Raised some revenue,* counteracting some of the near-term revenue effects of the 2012 income tax cuts. Kansas had raised its sales tax rate to 6.3 percent after the recession hit; that rate was scheduled to fall to 5.7 percent on July 1, 2013, but the 2013 tax legislation instead set the rate permanently at 6.15 percent. It also raised revenue by repealing a portion of the standard deduction increase from 2012.
- *Partially restored the food sales tax credit,* but not for the lowest-income Kansans.^d

^a For further details see Kansas HB2117, Summary of Legislation, http://kslegislature.org/li_2012/b2011_12/measures/documents/summary_hb_2117_2012.pdf.

^b Nick Johnson and Michael Mazerov, “Proposed Kansas Tax Breaks for “Pass-Through” Profits Is Poorly Targeted and Will Not Create Jobs”, Center on Budget and Policy Priorities, March 26, 2012, <http://www.cbpp.org/cms/?fa=view&id=3662>.

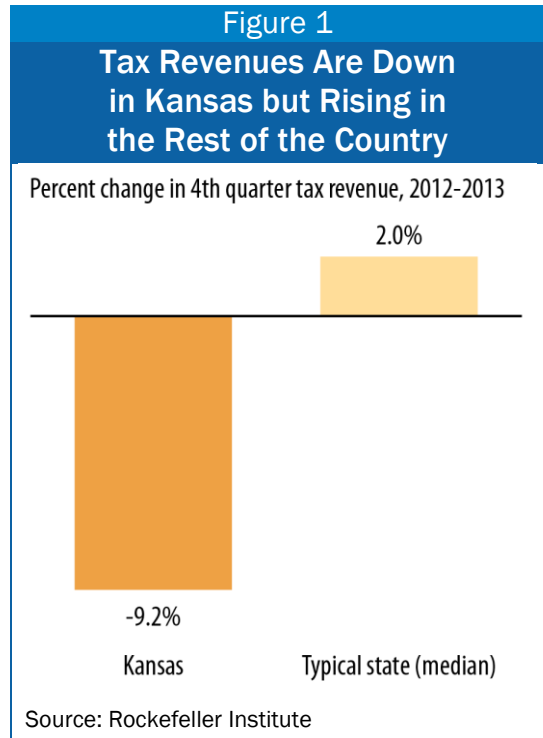
^c For further details see Kansas HB2059, Summary of Legislation, http://www.kslegislature.org/li/b2013_14/measures/hb2059/.

^d The original credit was “refundable,” meaning that all taxpayers could receive the full value of the sales tax rebate, even if it exceeded their income tax liability. In 2013, Kansas restored the credit but made it non-refundable, so low-income taxpayers whose credit exceeded their income tax liability could no longer receive the full value of the rebate.

In 2013 Kansas cut income tax rates again, setting itself on a path eventually to eliminate its income tax entirely — the stated goal of Governor Brownback and his legislative allies. The 2013 changes also offset some of the near-term revenue loss from the 2012 tax cuts by raising other taxes somewhat. (See text box.)

These two rounds of tax changes have left a large and growing hole in the state’s ability to fund schools and other public services. (Before the tax cuts were enacted, Kansas’ personal income tax provided about 45 percent of the state’s general funds for education, health care and other services.) Already the cuts have reduced general fund revenues by about 8 percent relative to what they otherwise would have been, and those costs will grow rapidly. In five years the revenue loss will double to 16 percent, according to data from the Legislative Research Department,⁵ at which point additional rate cuts likely would be required, deepening the revenue loss even more. (See text box for details on how this would work.)

In most states, revenues are beginning to recover from the recent, severe recession. In the fourth quarter of 2013, tax revenue was up in 38 states compared to a year earlier. In the median state, the increase was 2.0 percent.⁶



Kansas, though, is headed in the other direction. There, tax revenue was down 9.2 percent, primarily because of the tax cuts. (See Figure 1.) No other state but Alaska (where declining oil and gas production led to a steep drop in severance taxes) saw such a steep decline.

The Large Revenue Losses Have Extended and Deepened the Recession’s Damage to Kansas’ Schools and Other State Services

Because most states are seeing their revenues improve, they have been able to invest in schools and other public services after years of steep funding cuts. But Kansas is in a much worse position. Because the tax cuts resulted in less revenue, Kansas is much less able to restore funding lost to its schools and other public services after the recession hit.

Unlike Most States, Kansas Is Still Cutting School Funding

High-quality schools are a crucial building block of economic growth. They determine the quality of much of the state’s future workforce and shape the minds of future community leaders and entrepreneurs. Deep cuts in funding for schools undermine school quality in part because they limit and stymie the ability of states to implement reforms that have been shown to result in better

⁵ Kansas Legislative Research Department, “State General Fund Profile, FY 2011-FY 2019, November 6, 2013 Consensus Estimates, Includes Governor’s Budget Recommendations, Revenue for Out-Years are Based on Tax Law that was in Effect for Tax Year 2012,” January 27, 2014.

⁶ Lucy Dadayan and Donald J. Boyd, “State Tax Revenues Slip Back to Slower Growth”, Nelson A. Rockefeller Institute of Government, March 11, 2014. http://www.rockinst.org/pdf/government_finance/state_revenue_report/2014-03-11_Data_Alertv3.pdf.

outcomes for students, including recruiting better teachers, reducing class sizes, and extending student learning time.

After the Great Recession deeply reduced their revenues, many states cut K-12 funding. By the 2011-12 school year, 34 states were providing less general school funding per student than before the recession, after adjusting for inflation. Schools nationwide eliminated over 300,000 K-12 teaching and other positions.⁷ In Kansas, the funding cuts were particularly deep: 14 percent per student. Even prior to the recession, Kansas ranked slightly below the national average for school spending.⁸ Impacts of the cuts on Kansas were significant, including school closings and larger class sizes.⁹

Since then, with the economy slowly improving, most states have begun restoring some of the lost funding. Last school year, 18 states raised general state funding per student, relative to inflation, and this year 29 states did so. (Most states, though, still spend less per student than before the recession.)

Kansas, though, has continued to cut. Over the last two school years, both of which were affected by the tax cuts, Kansas has cut general K-12 funding by another 2 percent per student. Governor Brownback's proposed budget would cut funding by another 1.8 percent, leaving it 17 percent below pre-recession levels, adjusted for inflation.¹⁰ (See Figure 2.)

Funding for Other State Services Also Falling

Besides schools, a range of other state services lay a foundation for a strong economy. Colleges and universities, libraries, public health programs, courts, parks, and other services help produce an

⁷ Bureau of Labor Statistics, Current Employment Statistics data.

⁸ National Education Association, "Rankings and Estimates: Rankings of the States 2009 and Estimates of School Statistics 2010," December 2009, Table H9, p. 54, <http://www.nea.org/assets/docs/010rankings.pdf>.

⁹ For example, the state's third largest school district — Shawnee Mission School District — closed three schools, expanded class sizes, cut music programs, and eliminated hundreds of staff positions. (For citations, see <http://www.offthechartsblog.org/the-price-of-kansas-costly-tax-cuts/>). The state's largest district — Wichita School District — similarly closed schools, cut jobs, and eliminated high-school librarian positions (see Brent D. Wistrom and Suzanne Perez Tobias, "Court: Kansas Funding for Schools Unconstitutionally Low", The Wichita Eagle. January 11, 2013. <http://www.kansas.com/2013/01/12/2632578/court-kansas-funding-for-schools.html>), the Baxter Springs School District cut non-teaching jobs and spending on school supplies (see Katie Lamb, "Kansas Educators, Legislators Await Court's School Funding Ruling", The Joplin Globe. February 2, 2014. <http://www.joplinglobe.com/topstories/x748030440/Kansas-educators-legislators-await-court-s-school-funding-ruling>), the Galena School District shrunk its teaching force from 70 to 58 (see previous article), and the Newton Public School District lost 30 positions, including teachers, instructional coaches, janitors, and counselors (see Chad Frey, "Disappearing Staff", The Newton Kansan, February 21, 2014. <http://www.thekansan.com/article/20140221/NEWS/140229955/1001/NEWS>).

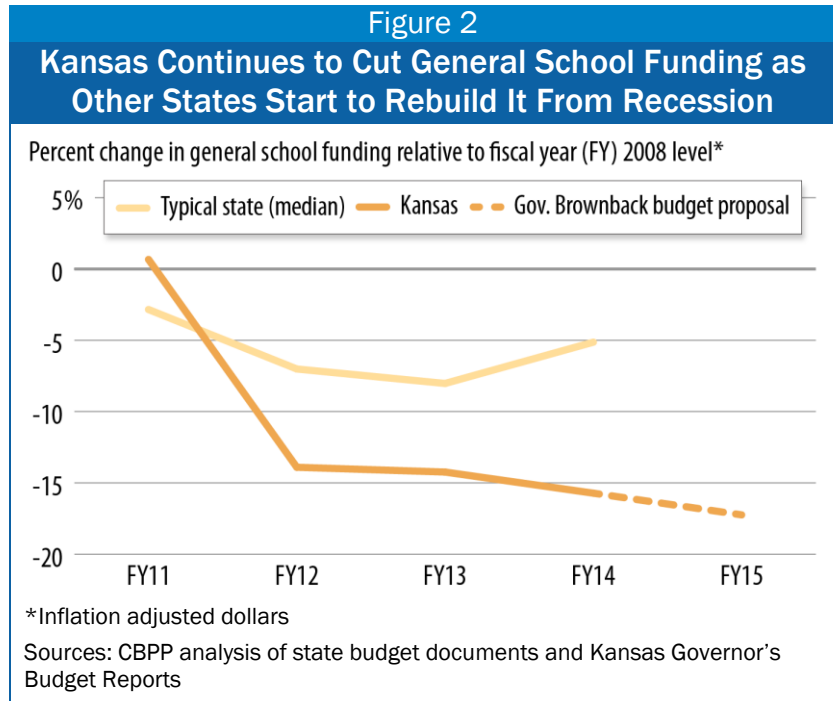
¹⁰ A recent Kansas Supreme Court ruling in *Luke Gannon v. State of Kansas* found that the state is unconstitutionally underfunding lower-income schools. The ruling may compel the state's legislature to increase funding for these schools, or shift funding to these schools from other, wealthier ones. Supreme Court ruling available at <http://www.kscourts.org/Cases-and-Opinions/opinions/SupCt/2014/20140307/109335.pdf>.

educated and healthy workforce and make neighborhoods safer and more livable — all important factors in attracting businesses and boosting long-term economic growth.

The recession deeply damaged Kansas’ ability to fund many of these services. And now, the massive tax cuts have caused funding for many of them to continue to decline.

Examples include:

- **Higher education.** Kansas has cut funding per student for higher education by another three percent since fiscal year 2012, after adjusting for inflation, leaving funding 23 percent below pre-recession levels. Tuition at Kansas public colleges and universities has increased by 8 percent since 2012 and is 20 percent higher than tuition in 2008.¹¹
- **Local libraries.** Governor Brownback’s budget for next year would leave state funding for local libraries 35 percent below the 2012 level and 65 percent below the 2008 level, after adjusting for inflation.¹²
- **Local health departments.** Kansas cut aid to local health departments, which provide immunizations and physical examinations for children and are the first responders to disease outbreaks and other health emergencies, by another 3 percent between fiscal years 2012 and 2013, leaving that funding 14 percent below 2008 levels.¹³ (Comparable data for fiscal year 2014 are not available.)
- **Supports for families living in poverty.** The number of poor children and parents receiving income support from the Temporary Assistance for Needy Families (TANF) program has declined by 41 percent since 2012, much greater than the 12 percent decline in TANF recipients nationally over this period, in part because Kansas enacted a number of policy and process changes that make it harder for families to access and continue receiving the support.¹⁴ The



¹¹ CBPP analysis of data from Illinois State University’s Grapevine report and the Kansas Board of Regents.

¹² Kansas Governor’s Budget Reports for FY2010, FY2014 and FY2015.

¹³ Kansas Department of Health and Environment data.

¹⁴ See United Community Services of Johnson County, “Kansas Could Do More for Poor Families with Children: An Analysis of TANF Budget and Policies,” December 17, 2013, <http://ucsjoco.org/Uploads/Kansas-Could-Do-More->

number of children whose families receive child care subsidies, often necessary for low-income mothers to find and hold a job, has also declined — by 16 percent — since 2012, also in part because of the adoption of more stringent policies.¹⁵

- **Courts.** The Governor’s proposed budget for the Judiciary is 3.4 percent below 2012 levels, and down 16 percent since before the recession. The Chief Justice of the Kansas Supreme Court said recently that the judicial system, which has been understaffed for years, is at risk for statewide shutdowns after July 1 of this year.¹⁶

Kansas’ Tax Cuts Delivered Lopsided Benefits to the Wealthy

Most state revenue systems require middle- and low-income families to pay larger shares of their incomes in taxes than high-income families — the exact opposite of what fairness might dictate. That’s true in Kansas, where the lowest income fifth of families pay 10.3 percent of their income in state and local taxes, on average, while the highest-income one percent of taxpayers pay just 3.9 percent.¹⁷ In this way, state and local tax systems exacerbate the country’s already high levels of income inequality.

A strong state income tax helps level the playing field. Of the three major sources of state and local revenue — income, sales, and property taxes — only income taxes are typically structured to ask more of the highest income taxpayers than middle- or low-income ones.

Therefore, cutting income tax rates typically reduces taxes the most — as a share of income as well as in dollar terms — for the highest-income taxpayers. It is possible, of course, to make tax changes in ways that are more even-handed, such as by enacting or expanding credits or exemptions that benefit all families. But when the focus is income tax *rates*, the benefits mostly accrue to the wealthy.

That’s exactly what happened in Kansas:

- **The 2012 tax cuts were heavily tilted to the richest Kansans.** The highest-income 1 percent of Kansans saw an average tax cut of 2 percent of their income (about \$21,000), compared to 0.5 percent of income (\$212) for the middle fifth of households.

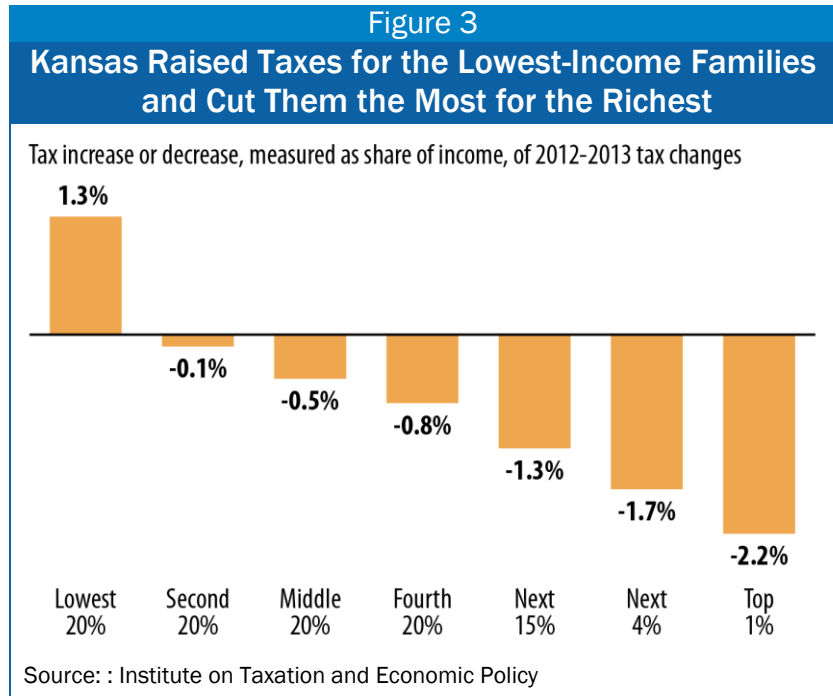
[For-Poor-Children-and-Families.pdf](#). For caseload declines see Public Assistance Report SFY2014, Kansas Department for Children and Families, December 2013. <http://www.dcf.ks.gov/services/ees/Pages/EEReports.aspx>.

¹⁵ Ibid.

¹⁶ Andy Marso, “Nuss: Courts Will Shut Down Without More Funds,” *Topeka Capital-Journal*, January 22, 2014, <http://cjonline.com/news/2014-01-22/nuss-courts-will-shut-down-without-more-funds>.

¹⁷ Based on permanent Kansas law for non-elderly taxpayers as of January 3, 2013, at 2010 income levels, including the tax savings from federal itemized deductions for state and local taxes, also known as the “federal offset.” Institute on Taxation and Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, 4th edition, January 2013.

- **The 2012 tax package actually *raised* taxes for the lowest-income households.** Not only did they benefit much less from the rate reductions, but Kansas also eliminated some tax credits that helped low-income families in particular, including a rebate for sales taxes on food purchases. (The state partially restored the rebate in 2013, but not for the lowest-income households.)



- **The 2013 tax package further shifted taxes away from the wealthy and on to middle- and low-**

income Kansans. The 2013 tax changes included a higher sales tax rate to help pay for additional income tax cuts. Sales taxes, unlike income taxes, fall more heavily on middle- and low-income families as a share of their income. By raising sales taxes to help pay for more income tax cuts, Kansas further shifted the responsibility for supporting schools and other public services away from the rich and toward people of lesser means. (See Figure 3 for the combined impact of the 2012 and 2013 changes.)

At a time of historically high income inequality, Kansas’ income tax changes have further widened the gap between the wealthy and other residents. From the late 1970s to the mid-2000s, incomes rose by 67 percent (after inflation) for the richest fifth of Kansas households but by just 12 percent for the poorest fifth. Cutting taxes for the wealthy and raising them for the lowest-income households only makes these trends worse.¹⁸

Tax Cuts Haven’t Improved Kansas’ Economic Performance

In signing the 2012 tax package, Governor Brownback likened it to “a shot of adrenaline into the heart of the Kansas economy.”¹⁹ Proponents of similar tax cuts in other states have similar hopes. So far, however, the Kansas tax cuts haven’t produced the promised economic benefits.

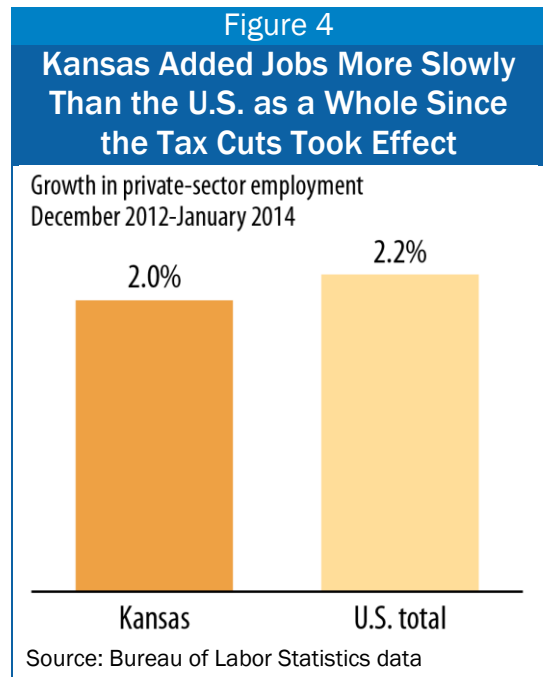
¹⁸ Elizabeth McNichol, Douglas Hall, David Cooper and Vincent Palacios, “Pulling Apart: A State-by-State Analysis of Income Trends”, Center on Budget and Policy Priorities and Economic Policy Institute, November 15, 2012. <http://www.cbpp.org/cms/?fa=view&id=3860>.

¹⁹ Governor Sam Brownback, “Tax Cuts Needed to Grow Economy,” *Wichita Eagle*, July 29, 2012, <http://www.kansas.com/2012/07/29/2424351/gov-sam-brownback-tax-cuts-needed.html>.

Kansas' Job Growth Below Other States'

Although the tax cuts were intended to spark job creation, Kansas' job growth has been far from spectacular, lagging modestly behind the national average since the tax cuts first took effect. (See Figure 4.) That's very similar to what happened in 2012, the year before the tax cuts took effect. That year, as in 2013, job growth in Kansas modestly lagged U.S. job growth. The pace of job growth in Kansas in 2013 — with the tax cuts — was almost identical to the pace of job growth in 2012, before the cuts took effect.²⁰

Unemployment in Kansas remains relatively low, as it has been since the recession hit, and fell further in 2013, in line with a decline nationally. While most of the decline resulted from the state's modest job growth, part of it was due to a drop in the number of people looking for work. Kansas' labor force (people either employed or actively seeking work) has actually shrunk by 6,800 since the tax cuts took effect at the beginning of 2013.



Earnings and Non-Farm Incomes Lagging Growth Nationally

On average, Kansans earned about \$4.43 *less* per week (after adjusting for inflation) in December 2013 than in December 2012, the month before the tax cuts took effect.²¹ That's a slightly larger decline than what happened with earnings nationally over the same period. Kansans were earning about 10 percent less than their counterparts nationally before the tax cuts, and they didn't make up any ground over the last year. In contrast, earnings grew somewhat more quickly in Kansas than the U.S. in 2012, the year before the tax cuts took effect.²²

Farmers did well in Kansas in 2013 compared to the previous year, when a major drought depressed farm income. But personal incomes outside of farming rose by just 0.1 percent above inflation, slightly less than the 0.2 percent growth nationally. Before the tax cuts took effect in 2012, by contrast, nonfarm personal income in Kansas grew 2.7 percent, a stronger pace, though still slower than growth nationally.²³

²⁰ Jobs in Kansas grew at a rate of 1.8% between December 2011 and December 2012.

²¹ Data from Bureau of Labor Statistics.

²² Earnings per week adjusted for inflation grew by \$22.45 in Kansas and \$19.99 in the U.S. overall in the period from December 2011 to December 2012.

²³ Nonfarm personal income grew 3.9 percent above inflation in 2012. Data from Bureau of Economic Analysis.

Business Growth Has Been Unimpressive

Governor Brownback and others claim that small business growth has hit record highs since the tax cuts took effect, citing figures from the Kansas Secretary of State on the number of in-state businesses filing incorporation papers.²⁴ But, while more than 15,000 new businesses were incorporated in Kansas in 2013, more than 16,000 other businesses were either dissolved by their owners or forfeited for failure to file an annual report and pay the annual fee. Even adding in the 4,500 businesses that owners reinstated that year (by filing annual reports after letting their status lapse), the net growth in registered businesses was about 3,600 — smaller than in 2012, the year before the tax cuts took effect, and little over *half* the pre-recession (2006) level.

In addition, Bureau of Labor Statistics data show that Kansas' share of all U.S. business establishments — individual stores, factories, offices, and the like — fell in 2012, the year the tax cuts were enacted, and then slid slightly further over the first three quarters of 2013.²⁵ (Data aren't yet available for the last part of the year.) All four of Kansas' immediate neighbors outpaced Kansas in the first three quarters of 2013.

Little Evidence to Suggest That Tax Cuts Will Improve Kansas' Economy in the Future

No one knows how well Kansas' economy will perform over the next several years, but the available evidence doesn't bode particularly well.

State Forecasts That Kansas Will Fall Further Behind in 2014 and 2015

The Kansas Division of the Budget projects that Kansas will grow relatively slowly over the next two years:²⁶

- Personal income will grow more slowly in Kansas than the nation as a whole in 2014 and 2015. (See Figure 5.)
- Gross domestic product (GDP) will also grow more slowly in Kansas than in the nation as a whole in 2014. (The forecast does not include a projection for 2015.)
- Job growth will be “relatively modest” in 2014, about 1.4 percent. (Again, the forecast includes no projection for 2015.)

²⁴ John Eligon, “Brownback Leads Kansas in Sharp Right Turn,” *New York Times*, February 13, 2014, http://www.nytimes.com/2014/02/14/us/politics/brownback-leads-kansas-in-sharp-right-turn.html?_r=0.

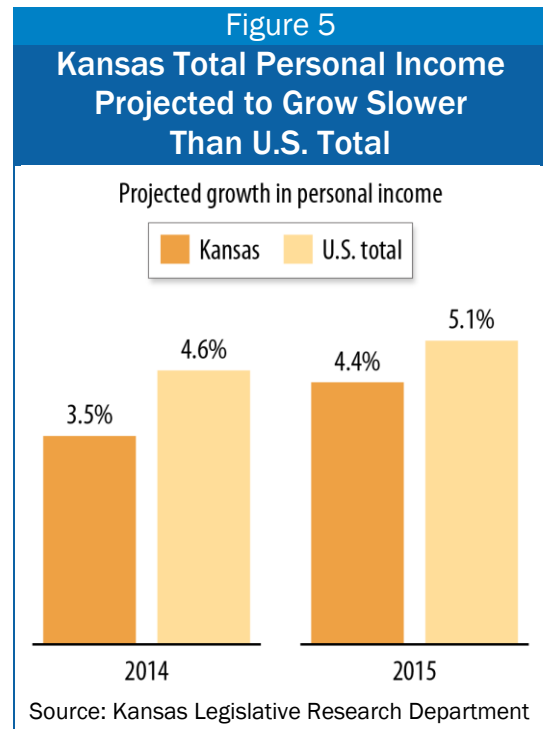
²⁵ The Kansas share of U.S. businesses fell by 4.8 percent in 2012 and 0.2 percent in the first three quarters of 2013.

²⁶ Kansas November 2013 consensus revenue estimate, Kansas Division of the Budget, <http://www.kansas.com/2012/07/29/2424351/gov-sam-brownback-tax-cuts-needed.html>.

History, Academic Studies Suggest Tax Cuts Won't Work in Long Run

Substantial evidence suggests that deep tax cuts are a poor strategy to expand state economies.

- **Other states' experiences.** In the 1990s and 2000s, several states slashed personal income taxes in hopes of economic revitalization. The results were disappointing. For example, the six states that cut taxes by more than 10 percent of revenue in the 1990s created fewer jobs, and had slower income growth, than the rest of the country over the next full economic cycle (2000-2007).²⁷
- **Academic research.** The vast majority of empirical academic studies conducted by economists over the last 40 years find that interstate differences in tax levels, including differences in personal income taxes, have little if any effect on relative rates of state economic growth. Of the eight major studies published in academic journals since 2000 that examined the broad economic effect of state personal income tax levels, six found no significant effects and one of the others produced internally inconsistent results.²⁸
- **The cuts in Kansas were especially poorly designed to promote growth.** In particular, eliminating taxes on pass-through income is very unlikely to boost economic growth. Many of the businesses that will collect this tax break have no employees, some of the shareholders who will collect the benefit are out of state, and firms need not create a single new job to qualify for the tax break. Even Kansas firms with employees are unlikely to add jobs or produce more products unless they see demand increase, regardless of the tax cut.²⁹



²⁷ Michael Leachman, Michael Mazerov, Vincent Palacios, and Chris Mai, "State Personal Income Tax Cuts: A Poor Strategy for Economic Growth," Center on Budget and Policy Priorities, March 21, 2013, <http://www.cbpp.org/cms/?fa=view&id=3936>.

²⁸ Michael Mazerov, "Academic Research Lacks Consensus on the Impact of State Tax Cuts on Economic Growth," Center on Budget and Policy Priorities, June 17, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3975>.

²⁹ Nick Johnson and Michael Mazerov, "Proposed Kansas Tax Breaks for 'Pass-Through' Profits Is Poorly Targeted and Will Not Create Jobs," Center on Budget and Policy Priorities, March 26, 2012, <http://www.cbpp.org/cms/?fa=view&id=3662>.

Conclusion

States considering deep tax cuts in hopes of sparking a surge of economic growth should look carefully at Kansas. That state's massive tax cuts have created a large and growing revenue loss and forced further cuts in funding for schools and other public services that the state had already cut because of the recession. The tax plan also has widened inequality and raised taxes on the lowest-income families. Finally, a year after the cuts first took effect, the state's economy is not performing particularly well, and there's no evidence to suggest that the tax cuts will cause the economy to take off in the years ahead.