

Update on the Kansas Economy & Tax Policy

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Overview

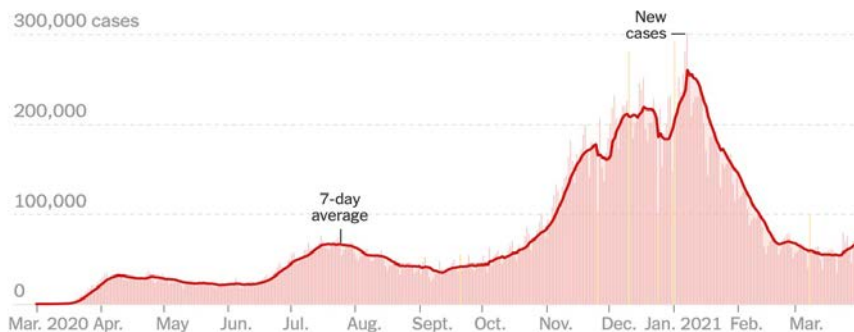
- Update on COVID-19 in Kansas and the United States
- What's happened to the US & Kansas economies so far?
- The effect of COVID on Women's employment
- Distributional Impact of SB-50

We Have Exceeded 30.5 Million Cases & 553,000 Deaths

Coronavirus in the U.S.: Latest Map and Case Count

Updated April 1, 2021, 8:06 PM. E.T.

[Leer en español](#)



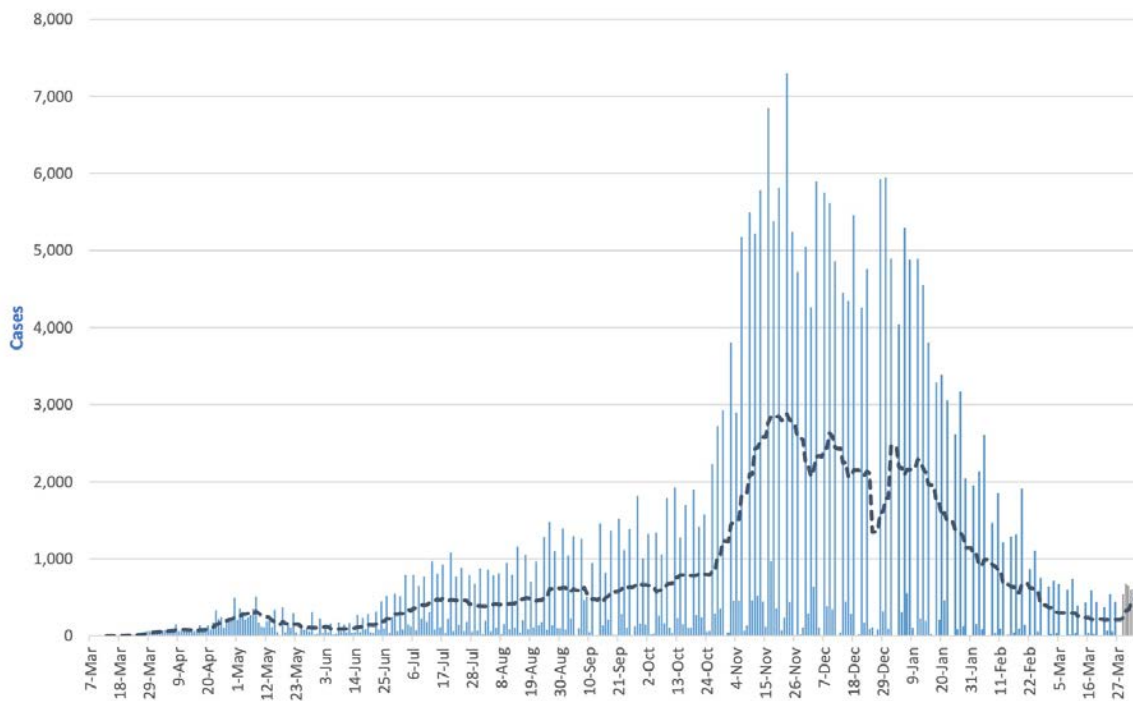
	TOTAL REPORTED	ON MARCH 31	14-DAY CHANGE
Cases	30.5 million+	68,182	+17% →
Deaths	552,585	1,138	-26% ↘
Hospitalized		41,162	-2% →

■ Day with reporting anomaly. Hospitalization data from the U.S. Department of Health and Human Services; 14-day change trends use 7-day averages.

- In the past week we've averaged 68,182 cases per day.
- This is an increase of 17% compared in the last two weeks.
- 1,138 deaths on April 1st
- Cases are beginning to rise again.

Kansas Daily Cases Are Decreasing

New COVID-19 Cases and 7-day Trend Line in Kansas

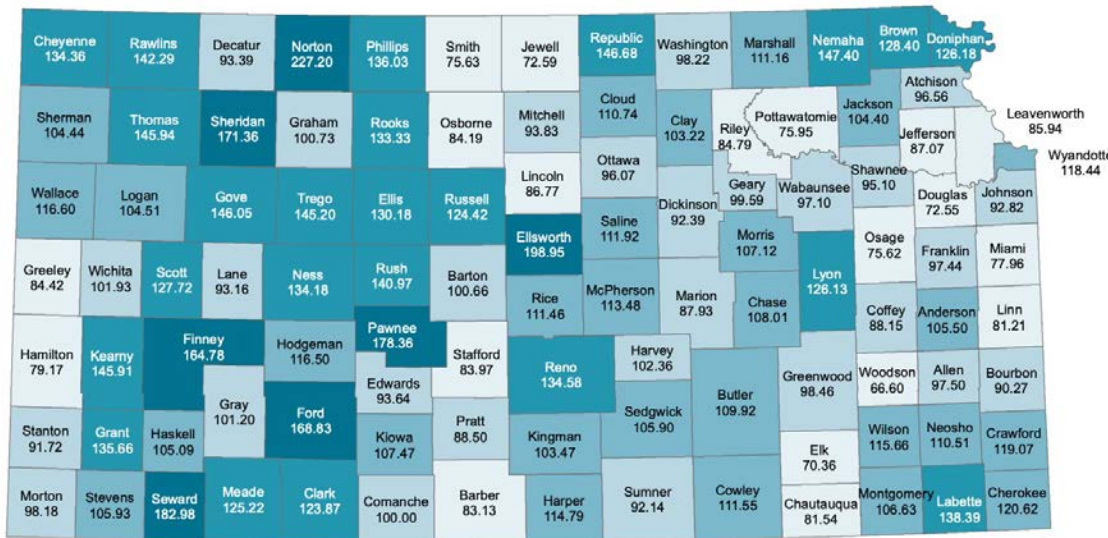


Source: Institute for Policy & Social Research, The University of Kansas; cases (blue) from the New York Times and projected cases (grey) from The University of Kansas Medical Center.

- The 7-day moving average of new cases trended down in the past weeks.
- Cases are decreasing:
 - Cases are forecast to increase.
- Kansas has had 304,179 cases and 4,902 deaths

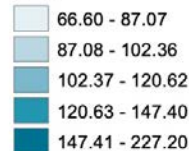
Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County
as of March 28, 2021



Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times and U.S. Census Bureau.

Cases per 1,000 people

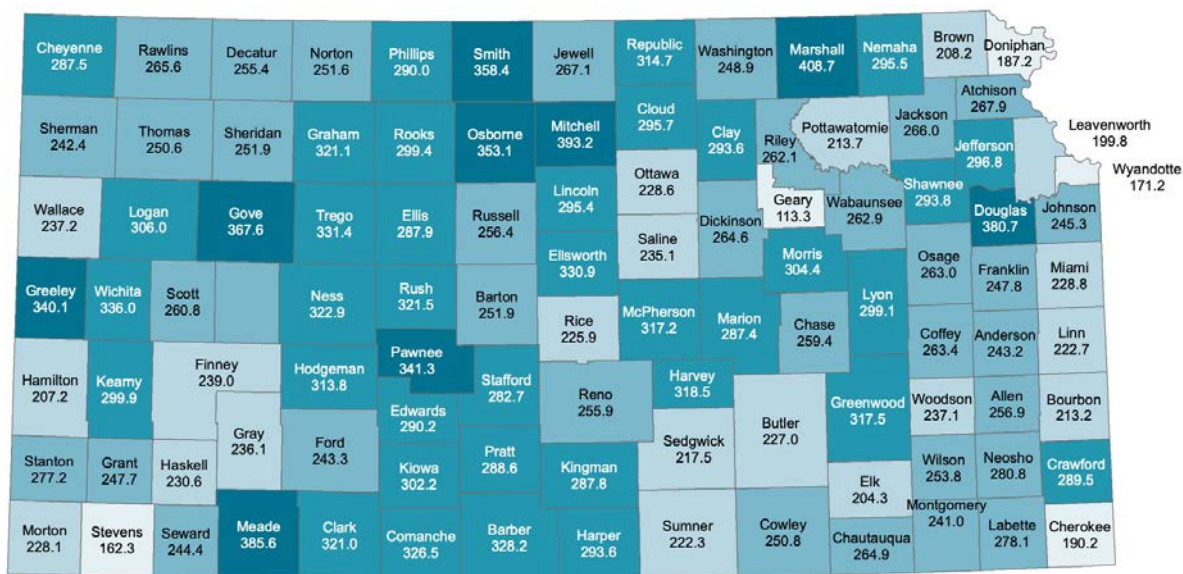


- Darker colors indicate that these counties have higher case rates:
 - Ford, Seward, and Finney Counties have case rates that are > 164 per 1,000
 - Douglas, Sedgwick & Johnson Counties have case rates of 72–106 per 1,000
 - Leavenworth & Wyandotte Counties have case rates of 86–118 per 1,000

Source: New York Times & US Census Bureau

Covid Vaccines per 100 People per County

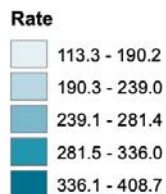
Rate of People Vaccinated in Kansas, by County of Residence
as of March 29, 2021



- 26.7% of Kansas population has received at least one shot.
- 78% of vaccine has been used
- Darker colors indicate that these counties have more vaccine per population:
 - Uneven distribution of the vaccine.

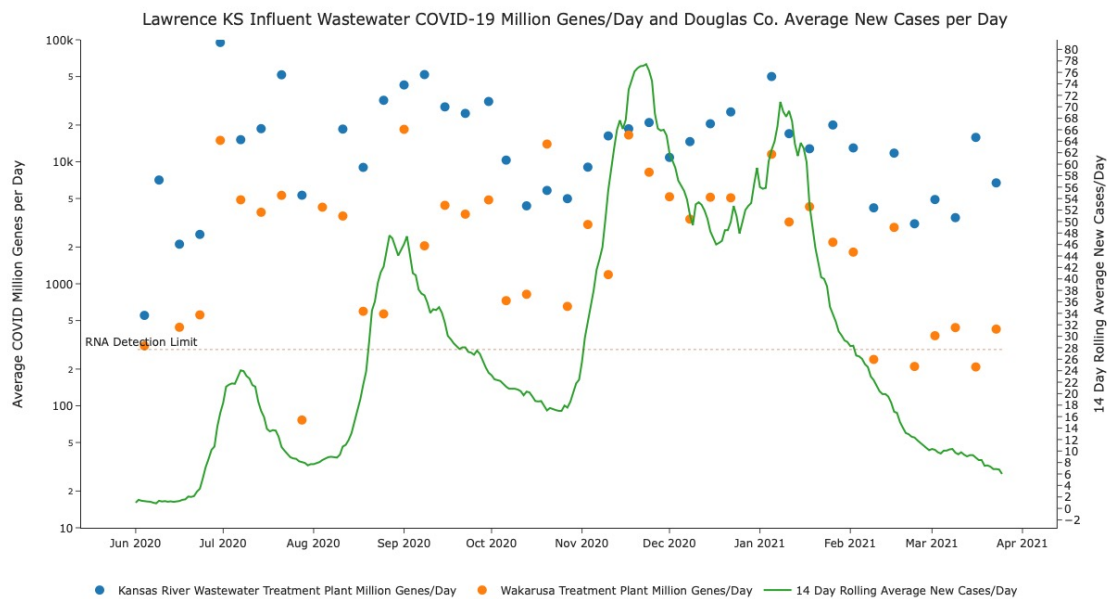
Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Health and Environment.

People who have received at least one dose per 1,000 people.



Source: KDHE

COVID Cases are Likely Underreported



- Dots indicate COVID Genes per day in Lawrence wastewater.
- Green line is 14 day average of reported cases.
- COVID genes are still high but reported cases are falling.
- Why is that?

Source: City of Lawrence

Kansas has Stopped Testing

A decline in testing may be masking the spread of the virus in some states. *The New York Times*

- Testing has been falling in Kansas since Jan. 1, even though hospitalizations were at their highest level of the pandemic then, according to Tami Gurley, co-chair of the virus task force at the University of Kansas Medical Center. The state is now doing fewer tests relative to its population than any state except Idaho.

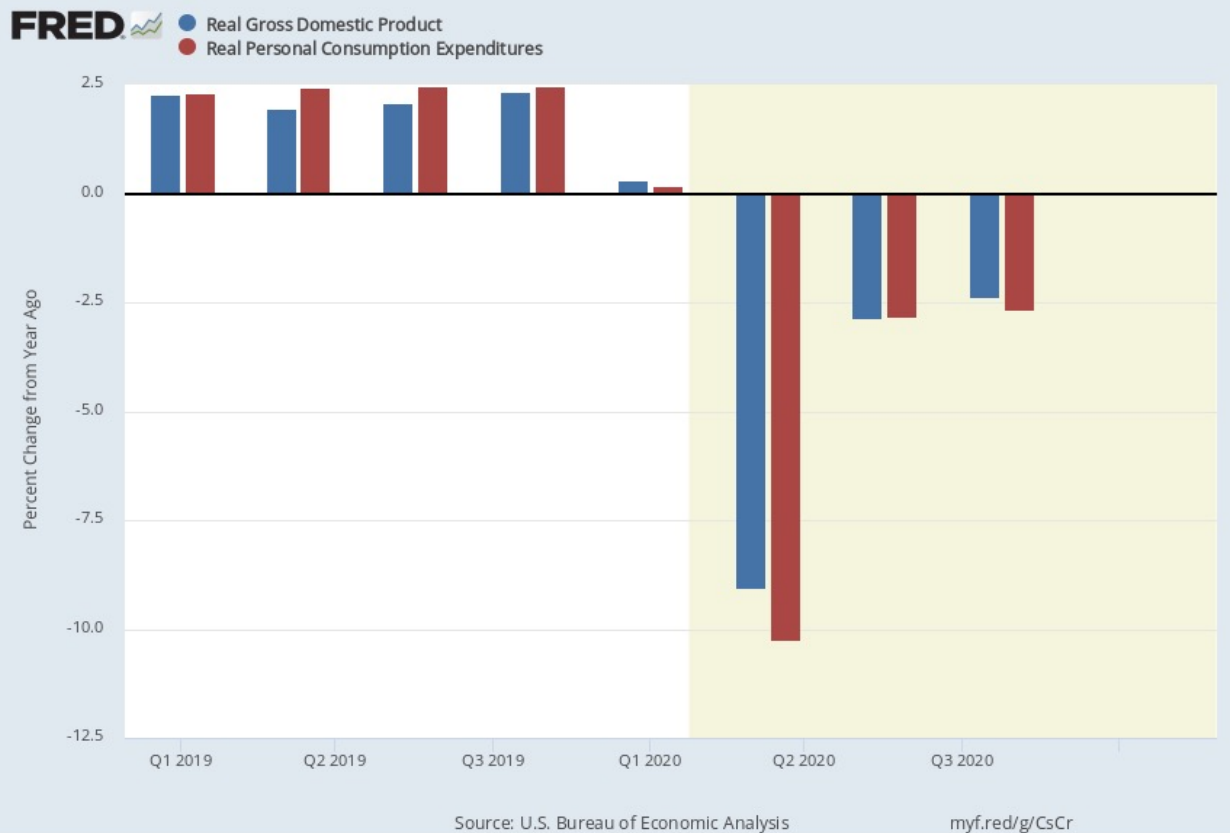
Source: <https://www.nytimes.com/2021/04/01/us/coronavirus-testing-declines.html>



COVID-19 and the US & Kansas Economies

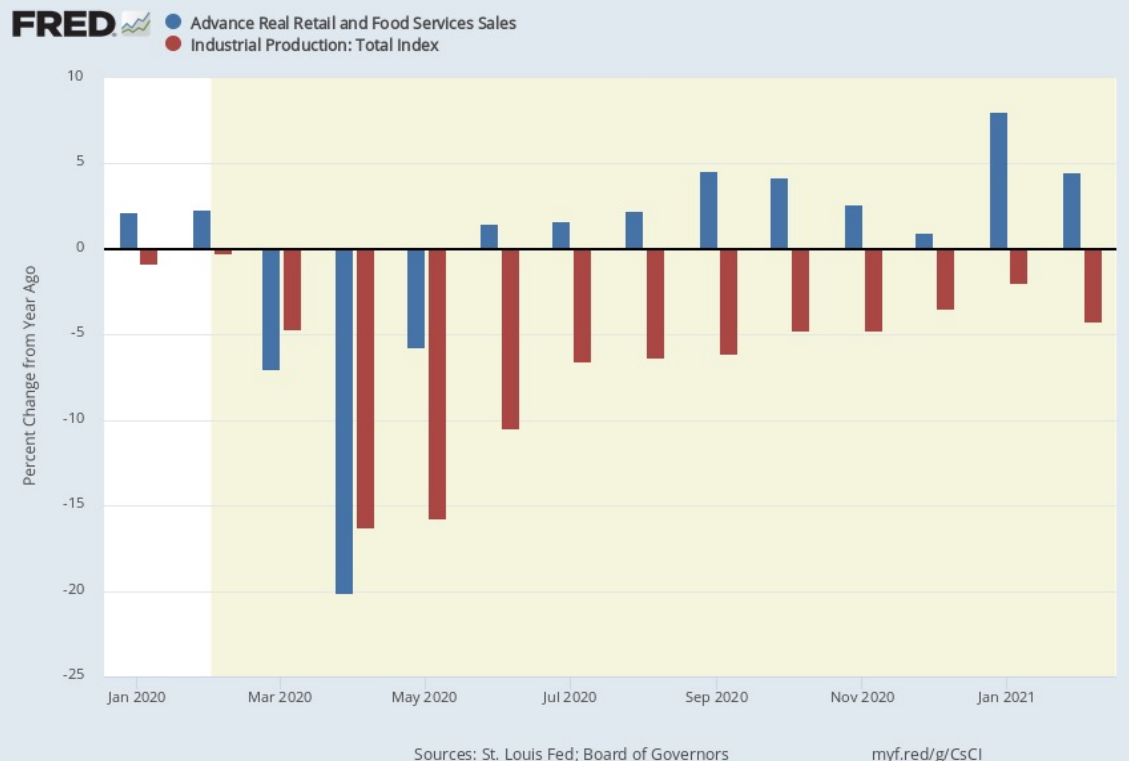
A Stalling Recovery

US Gross Domestic Product & Consumption Annual Rate



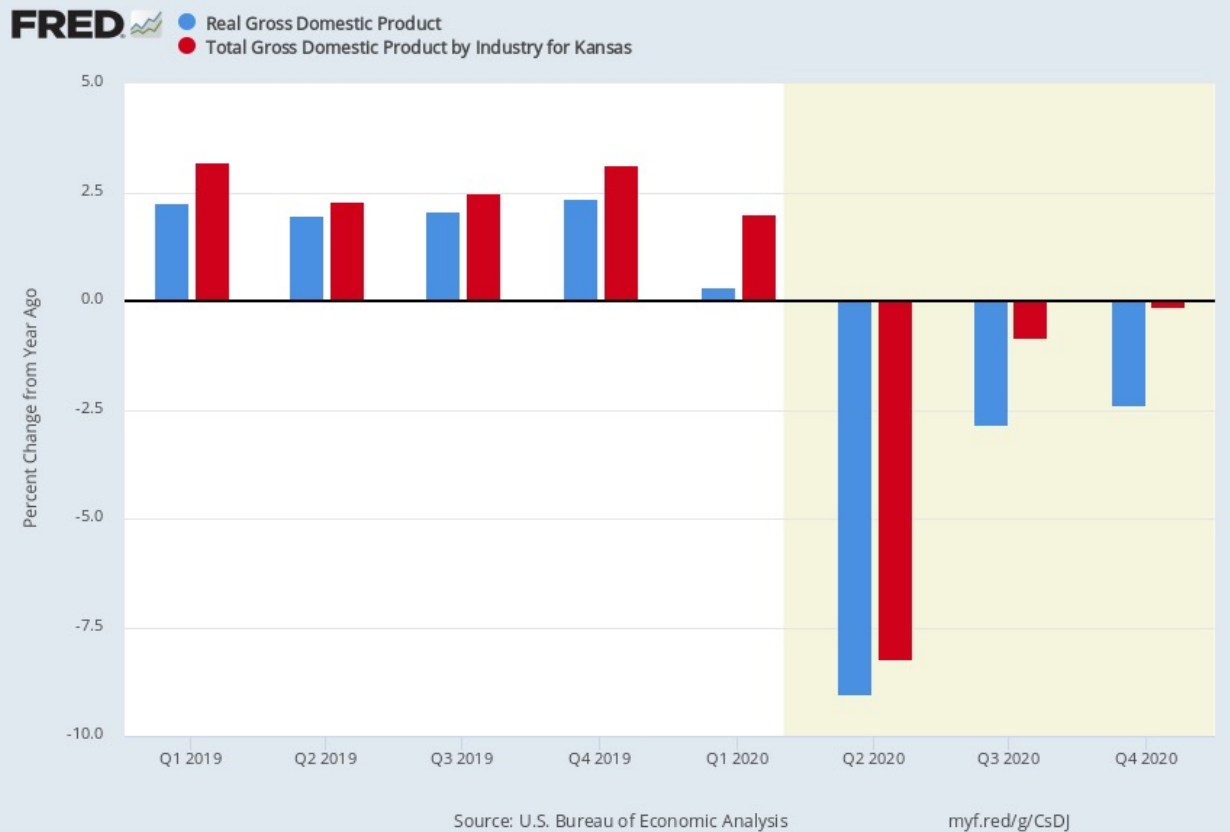
- Gross Domestic Product was still down 2.4% from a year ago in Q4.
- Consumption was down 2.7% in Q4.
- GDP grew 1.1% in Q4 compared to Q3.

Industrial Production & Retail Sales in February



- Compared to a year ago, retail sales are up 4.2%.
- Compared to a year ago, industrial production is down 4.2%.
- Although sales have recovered, production has not.

US & Kansas Gross Domestic Product



- Gross Domestic Product was still down 2.5% from a year ago in Q4.
- Kansas Gross State Product was down .15% in Q4 compared to a year ago.

Kansas Economy Made Up Lost Ground in Q4

Kansas GDP by Sector, Q4 2020



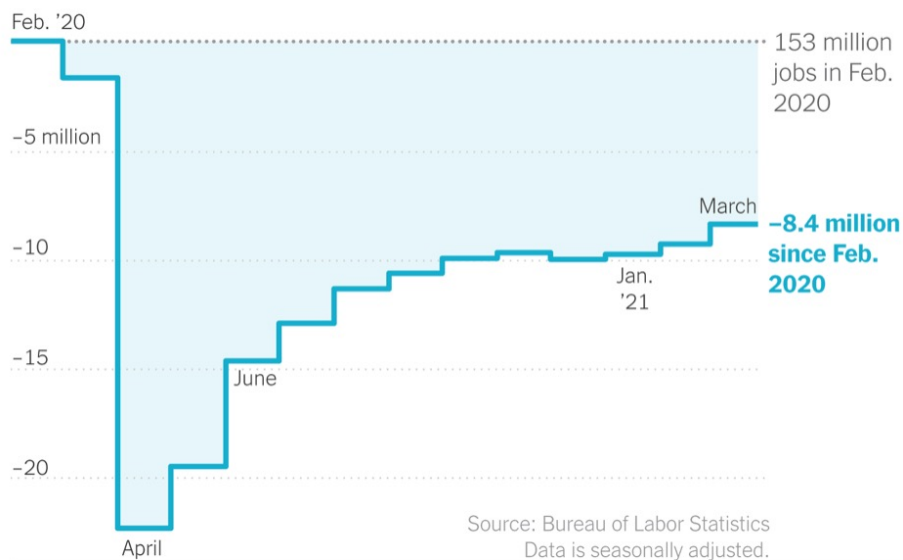
- Green is growth
- Red is contraction
- Growth:
 - Agriculture up 27%
 - Retail up 7.8%
 - Finance up 6.8%
- Contraction:
 - Accommodation & Food -19%
 - Transportation & Warehousing -17%
 - State & Local -4%



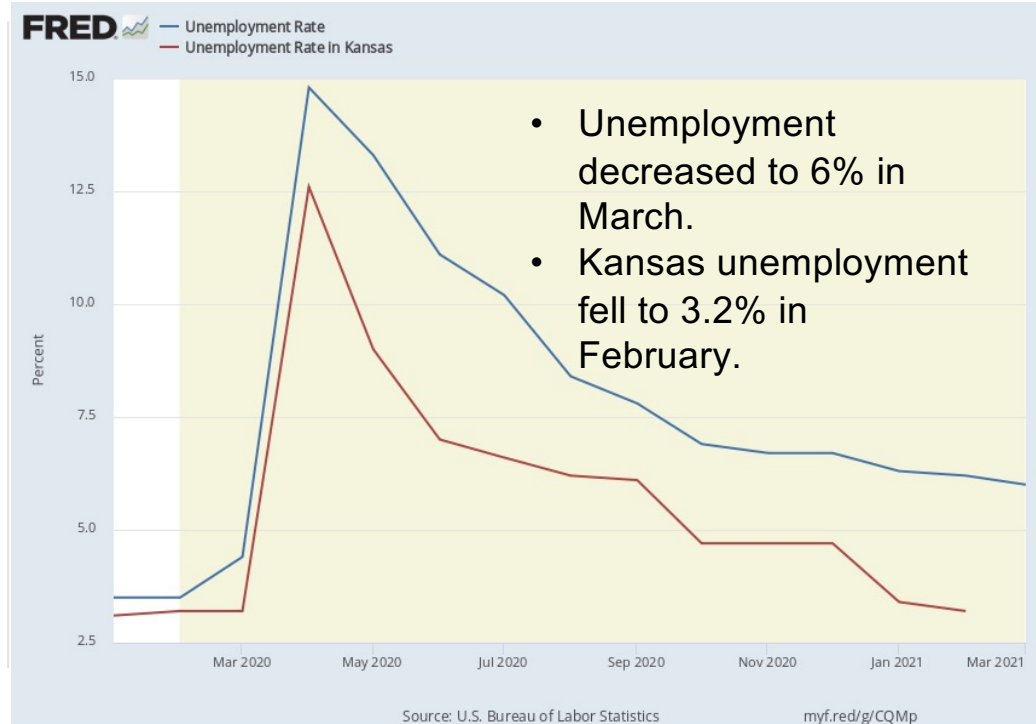
Employment Situation

Employment & Unemployment in March 2021

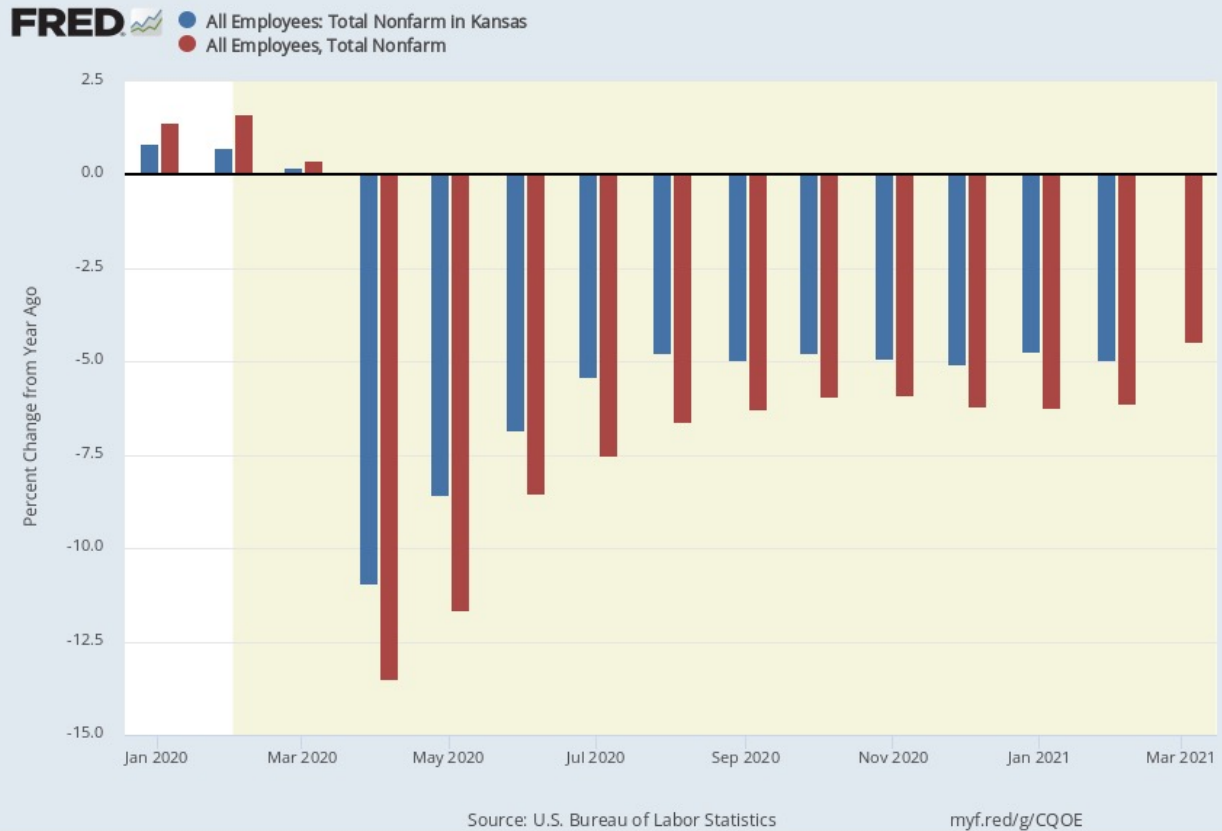
Cumulative change in jobs since before the pandemic



- Economy added 916,000 new jobs in March. February's numbers were revised up to 416,000. Gains in leisure & hospitality.
- Source: NY Times



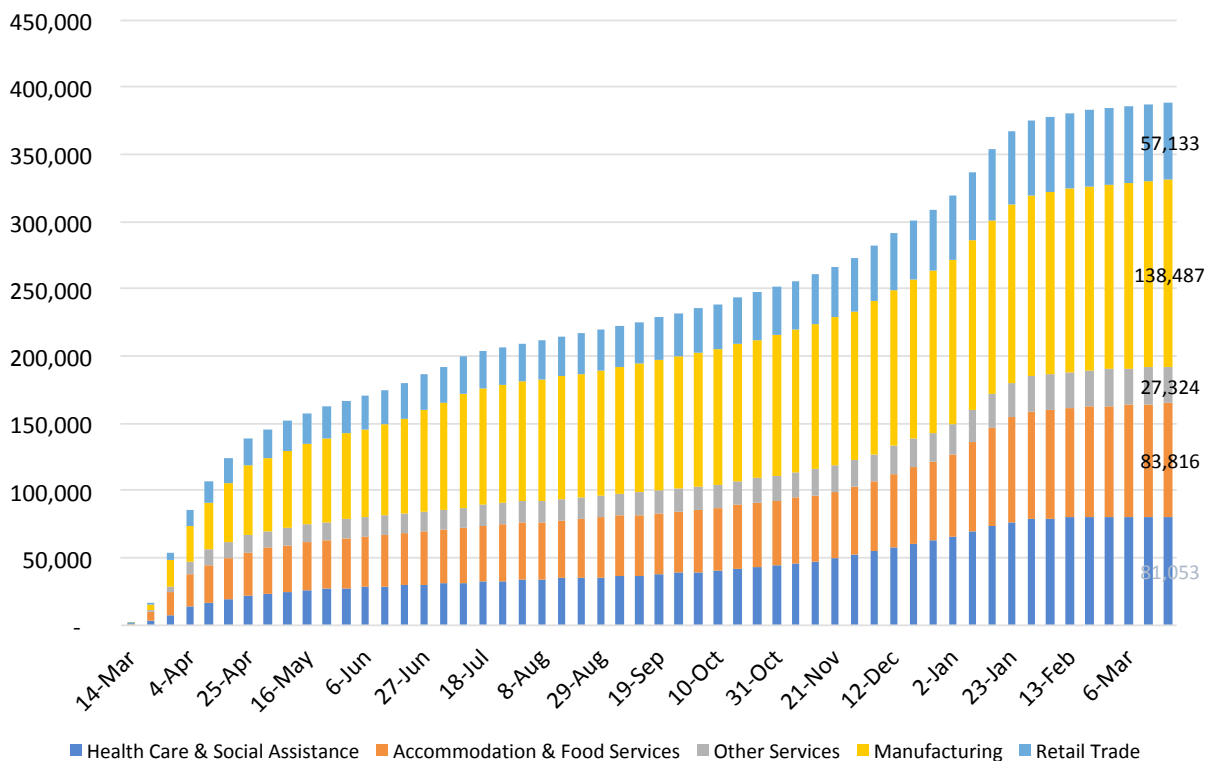
Employment in Kansas and US Compared to a Year Ago



- Kansas employment was down 4.9% from a year ago in February.
- US employment was down 4.5% compared to a year ago in March.
- The economy added 916,000 jobs in February.
- Now we're only down 8.5 million jobs compared to March 2020.

Cumulative Initial Unemployment Claims by Industry

Kansas Industries with Largest Cumulative Job Losses March 14, 2020 - March 20, 2021



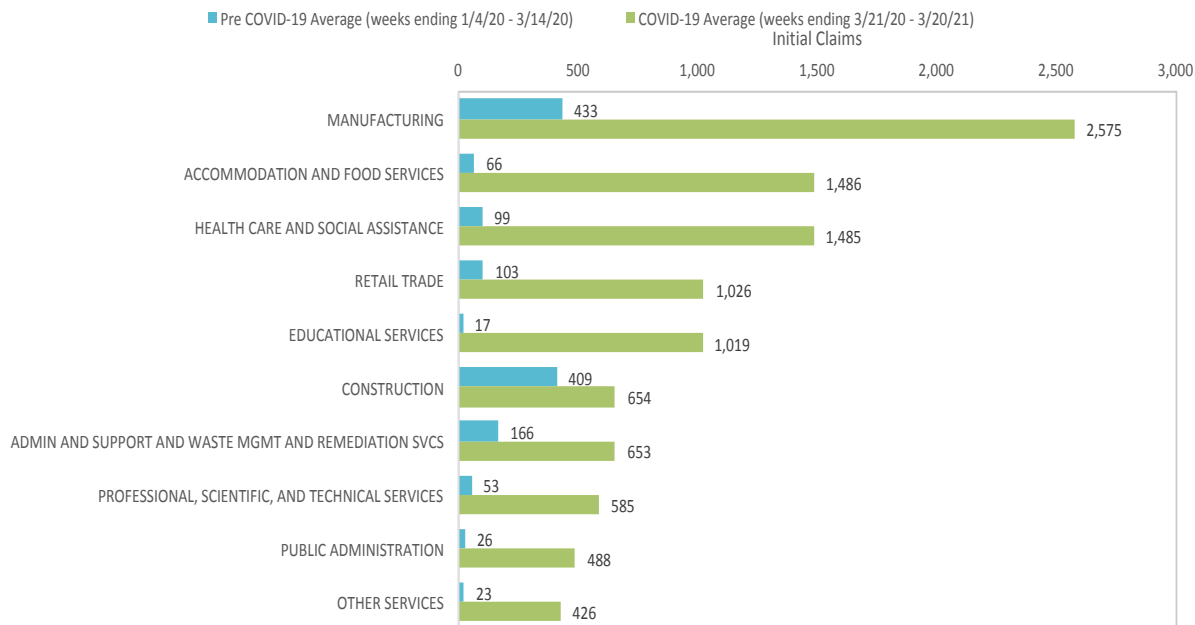
- Industries hardest hit include:

- Manufacturing: 138,487
- Accommodation & Food Services: 83,816
- Health care & Social Assistance: 81,053
- Retail Trade: 57,133
- Other Services: 27,324

- These five industries account for 60% of people who have lost their jobs.

Average Initial Unemployment Claims by Industry

Kansas Initial Claims by Industry
Top 10 for Weeks Ending 3/21/20 - 3/20/21

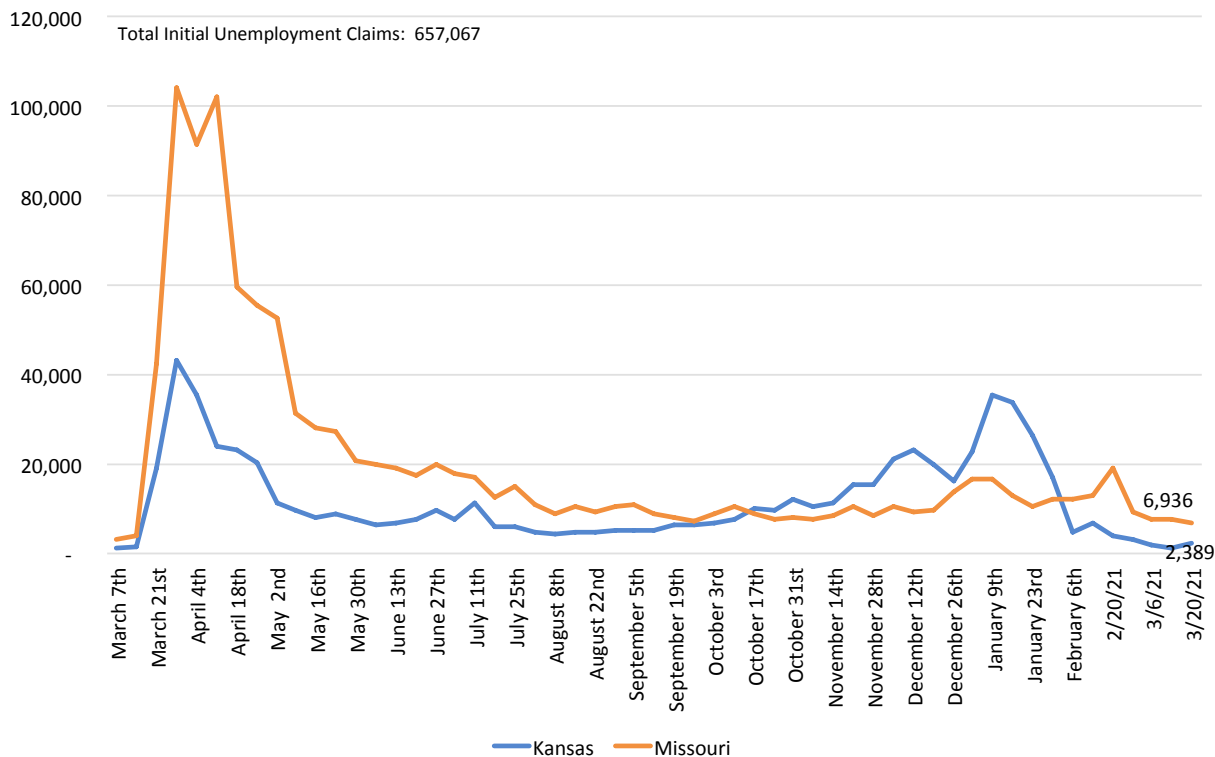


Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

- Our Five Largest Industries by Employment:
 - Public Administration
 - Health Care
 - Manufacturing
 - Retail
 - Accommodation & Food Service

Initial Claims are Trending Down

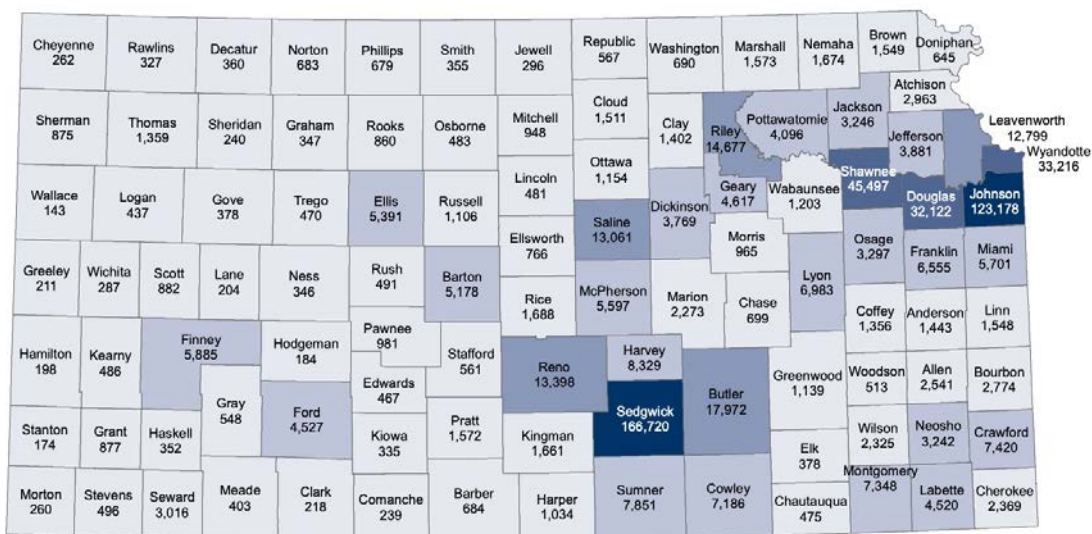
Initial Unemployment Claims in Kansas and Missouri, March 2020 - March 2021



- Kansas continuing and initial unemployment claims remain high.
- There are 2,389 new initial claims as of the week ending Mar 20th.
- State Unemployment ~3.2%.

Cumulative Unemployment Claims by County

Initial Jobless Claims in Kansas, by County
March 21, 2020 - March 13, 2021



Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.



Source: IPSR calculations using Kansas Department of Labor Data

Top 5 Counties by Cumulative Initial Claims:

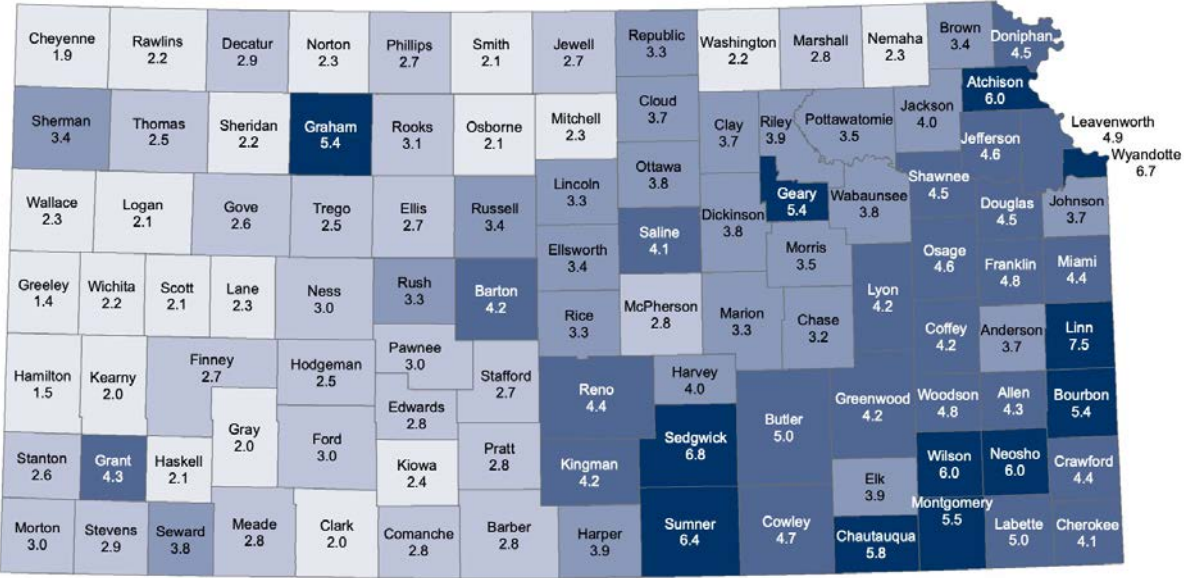
- Sedgwick 166,720
- Johnson 123,178
- Wyandotte 33,216
- Shawnee 45,497
- Douglas 32,122

Data calculated March 21, 2020 – March 13, 2021.

657,067 Initial Claims Filed in One Year.

December Kansas Unemployment Rate 3.2%

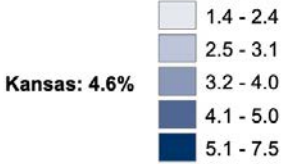
**Unemployment Rate in Kansas, by County
February 2021**



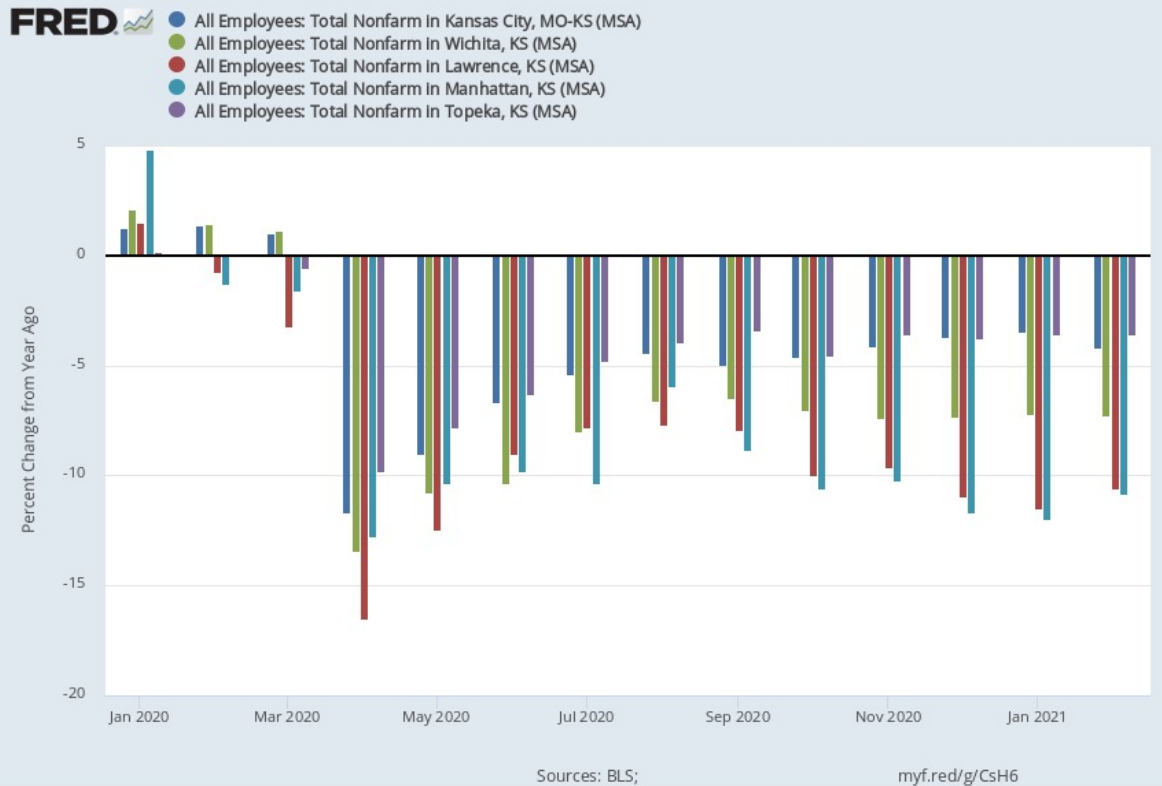
- Uneven impact across the state:
 - Sedgwick County 6.8%
 - Douglas 4.5 %
 - Johnson 3.7%
 - Wyandotte 6.7%
 - Shawnee 4.5%
- Unemployment decreased compared to January.

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor.

Unemployment Rate



Employment by Major City in Kansas Through December 2020

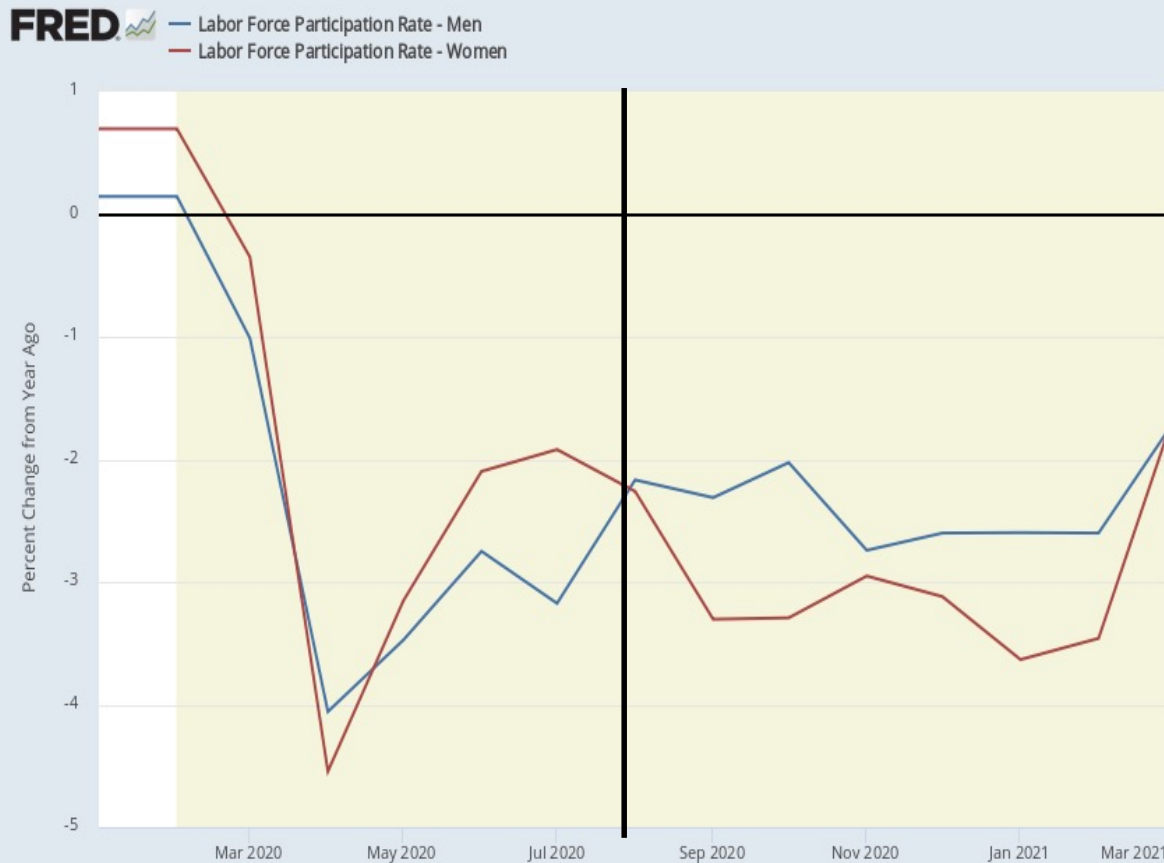


- Kansas City MSA is down 4.2% from a year ago.
- Wichita is down 7.2%.
- Lawrence is down 10.6%.
- Manhattan is down 10.8%.
- Topeka is down 3.6%.



Women are Paying a Higher Price

Year over Year Percentage Change in Labor Force Participation

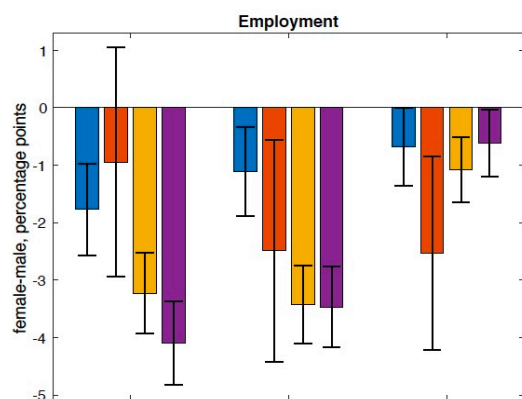


Source: U.S. Bureau of Labor Statistics

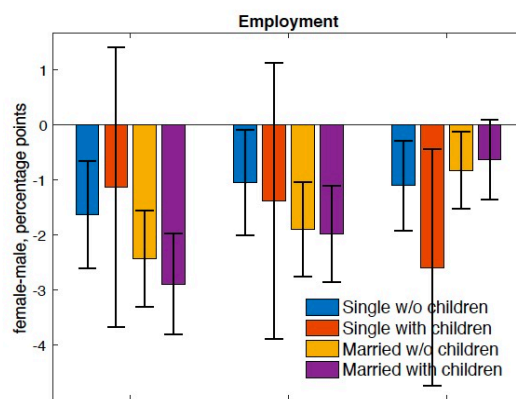
myf.red/g/CQP0

- Women's Labor Force Participation recovered faster than Men's between April and July.
- When school started back in August, all of that changed.
- Women's participation rebounded strongly in March.

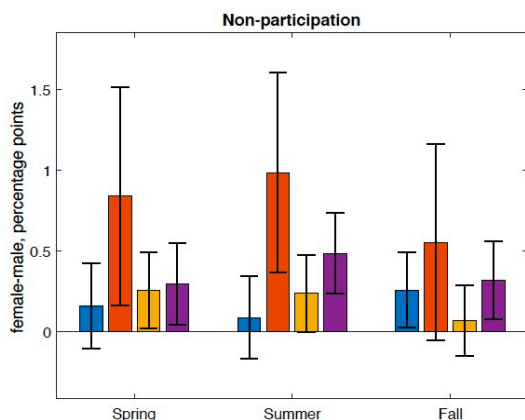
Relative Effect of Pandemic on Employment & Leaving Labor Force



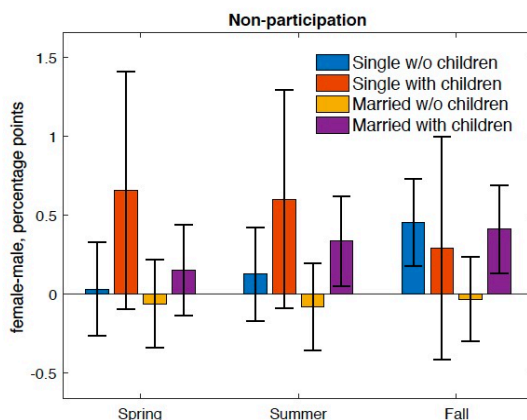
(a) Without occupation controls



(b) With occupation controls



(c) Without occupation controls



(d) With occupation controls

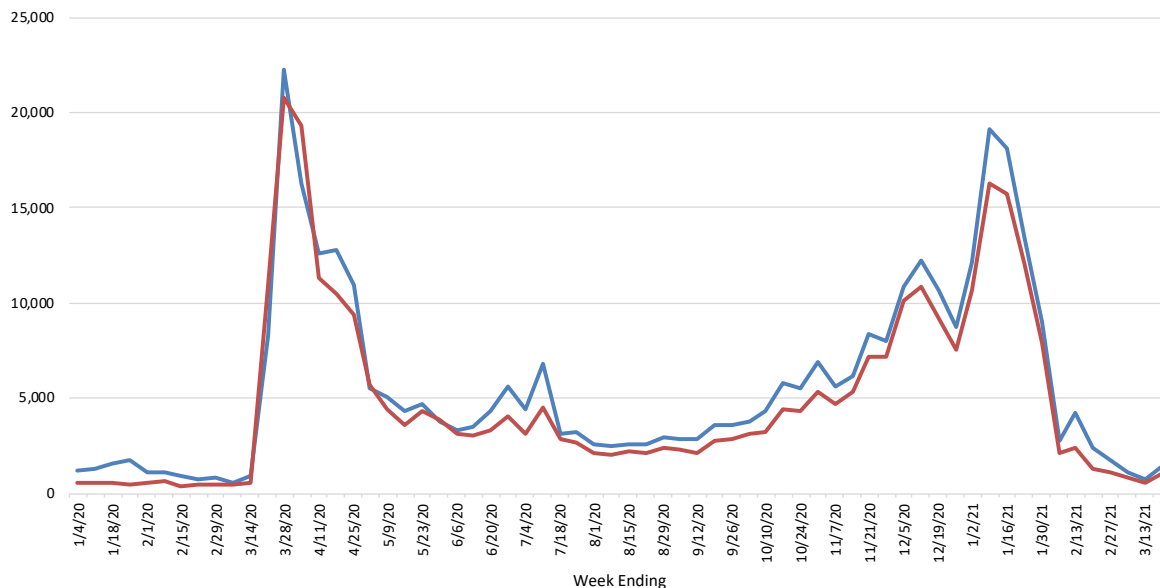
- Each Bar calculates the Female – Male Employment Difference
 - Purple Bar—Married with children
 - Orange Bar—Single with children
 - Gold Bar—Married w/o children
 - Blue Bar—Single w/o children
- Married & Single Women with children are worse off.

Source: Albanesi & Kim NBER Working Paper 28505

Few Gender Differences in Initial Unemployment Claims

Kansas Weekly Initial Claims Totals by Gender

— MALE — FEMALE

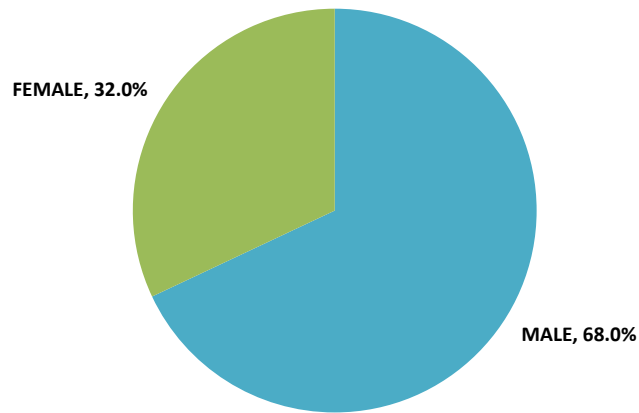


Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

- This is also true in Kansas
- Women have filed slightly fewer initial unemployment claims than men during the COVID-19 pandemic.
- In recent months, men are filing more UI claims.
- We would need to do analysis of microdata to get labor force participation rates by gender for Kansas.

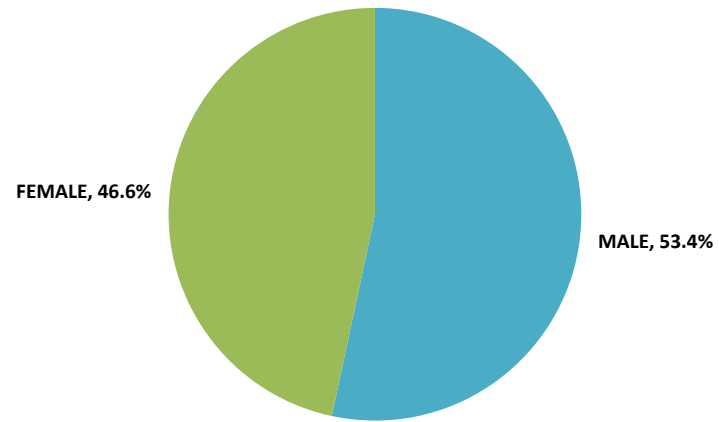
However, That is a Big Change from Previous Recessions

**Kansas Initial Claims by Gender
Pre COVID-19 Average
Weeks Ending 1/4/20 - 3/14/20**



Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

**Kansas Initial Claims by Gender
COVID-19 Average
Weeks Ending 3/21/20 - 3/20/21**



Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

- Prior to COVID, women were less likely to experience unemployment. The Great Recession was a man-recession.
- COVID is hitting women hard because of service sector.

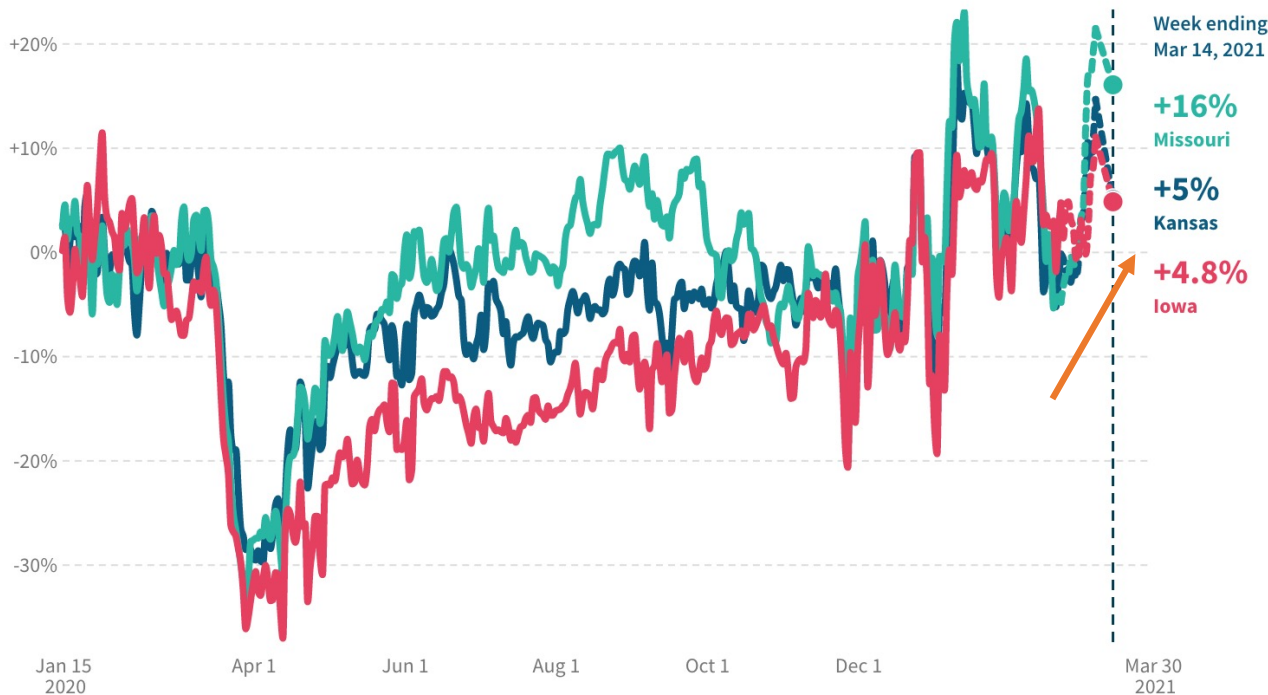


How Does Kansas Compare?

Kansas Consumption is Increasing

In **Kansas**, as of March 14, 2021, total spending by all consumers increased by **5%** compared to January 2020.

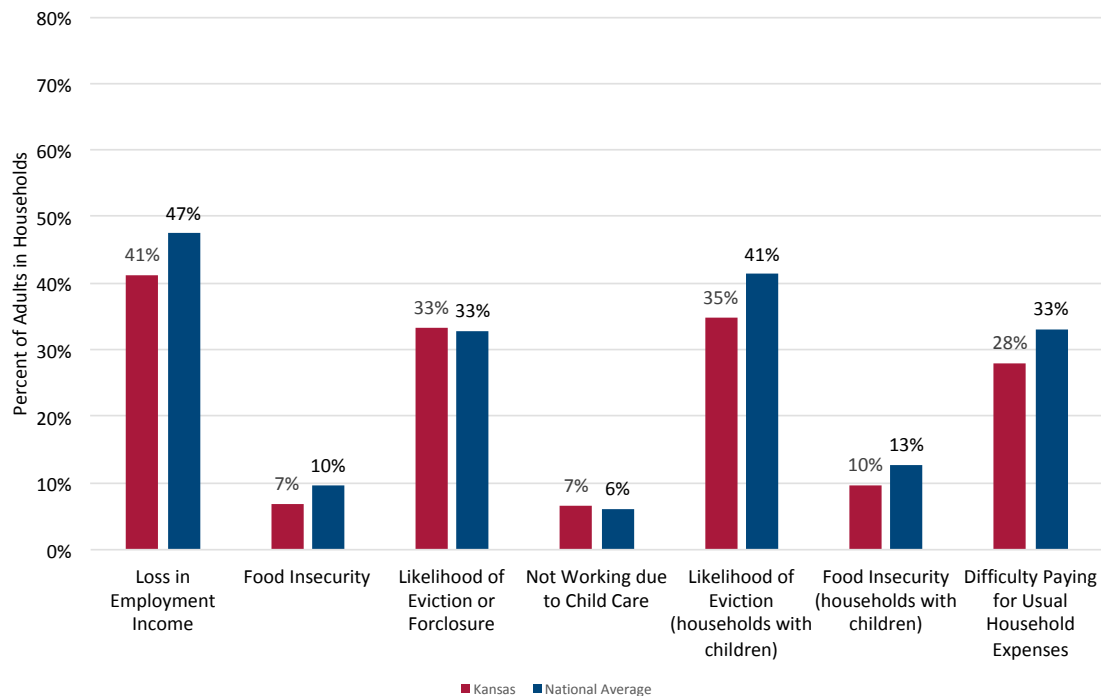
DOWNLOAD CHART 



- Kansas consumption expenditures are worse than Missouri and Iowa.
 - Kansas up 5%
 - Missouri up 16%
 - Iowa up 4.8%
 - US up 5.5%
- Starting to see evidence of the Stimulus checks.

Kansas and US Household Comparison March 15th

US Census Household Pulse Survey



- 41% of Kansas households faced loss in employment income
 - 35% of Kansas households with children report likely or somewhat likely eviction
 - 10% of Kansas households with children are food insecure

31% of Kansas Small Businesses Have Closed Since 2020

In **Kansas**, as of March 20 2021, the number of small businesses open decreased by **31%** compared to January 2020.

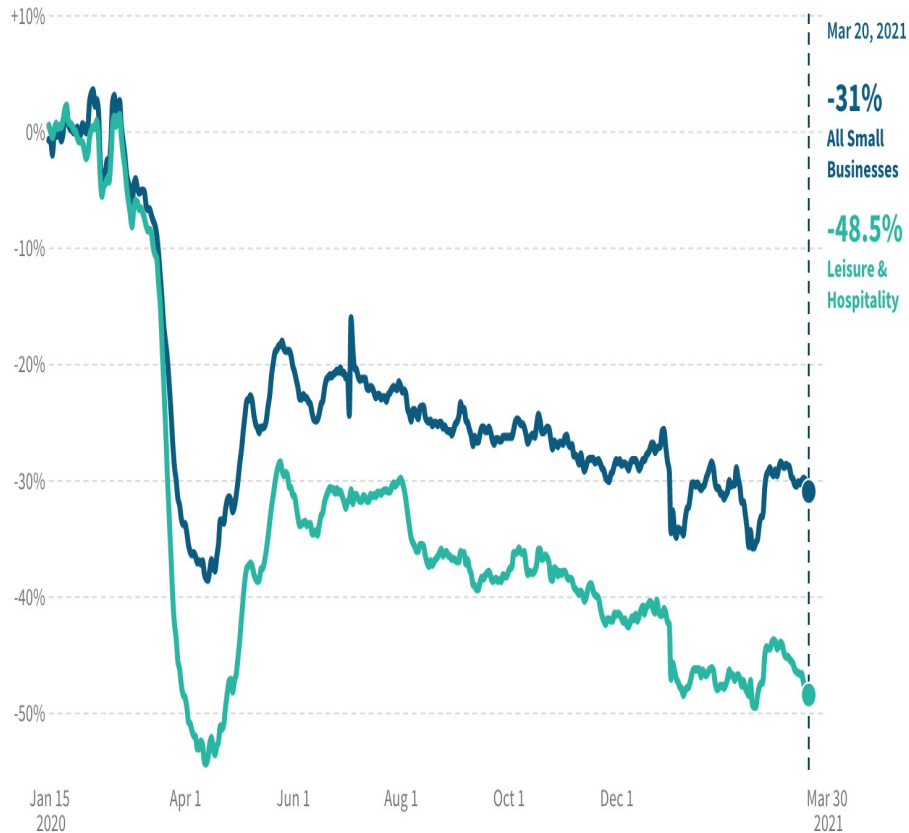
DOWNLOAD CHART 



- The number of small businesses open in Kansas has fallen by 31% since January, 2020
 - In the US, the number is -34%
 - Kansas is doing worse than Missouri: -25.8% and Iowa: -29.5%

In **Kansas**, as of March 20 2021, the number of small businesses open decreased by **31%** compared to January 2020.

DOWNLOAD CHART 



Almost Half of Restaurants & Hotels Have Closed

- In Kansas, **31%** of small businesses have closed since January, 2020
- **48.5%** of Leisure and Hospitality Businesses in Kansas have closed since that time.
 - This is a huge source of jobs for low skilled individuals.
- This is better than in the US (51% have closed).

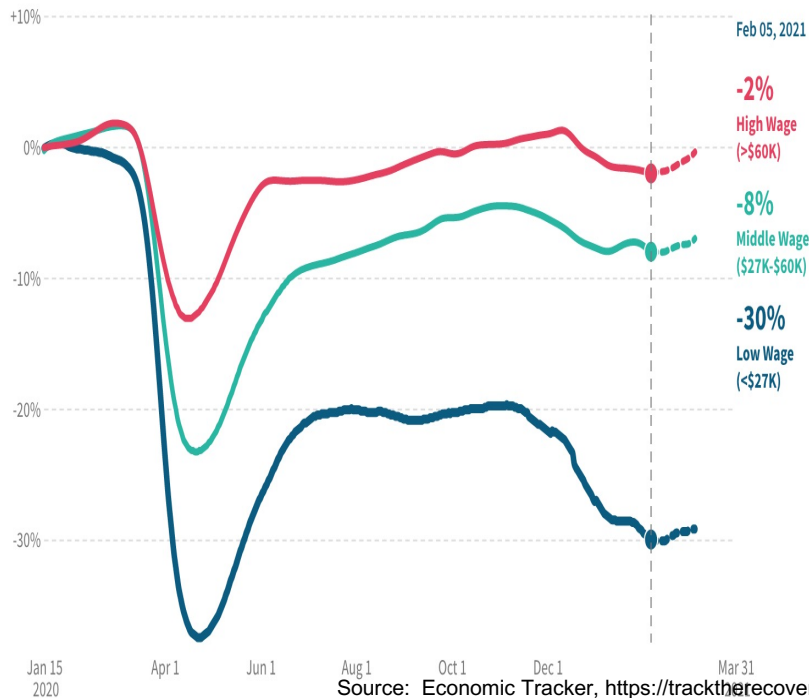


Glimmers of Hope

Is This a K-shaped Recovery? Kansas has Improved

In the United States, as of February 05 2021, employment rates among workers in the bottom wage quartile decreased by 30% compared to January 2020 (not seasonally adjusted).

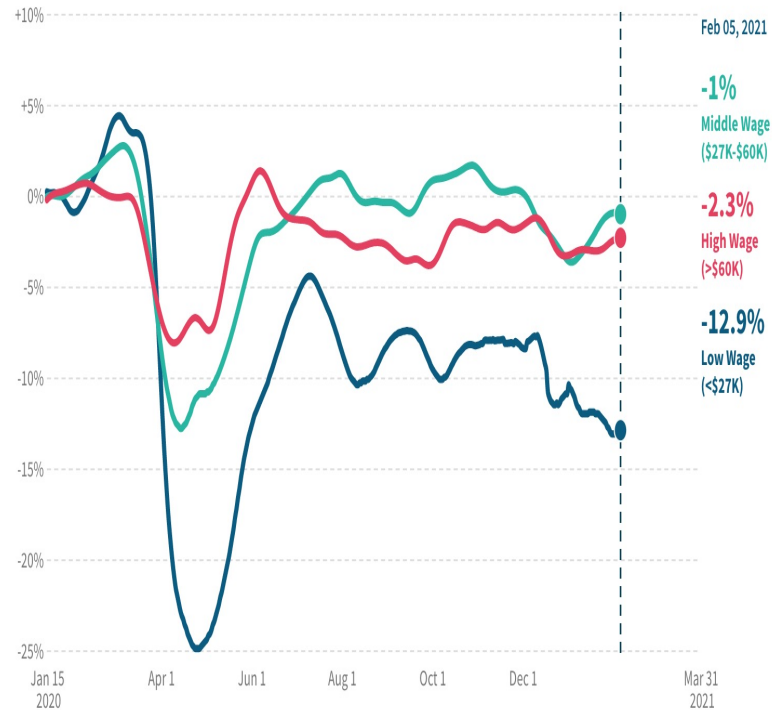
DOWNLOAD CHART



In Kansas, as of February 05 2021, employment rates among workers in the bottom wage quartile decreased by 12.9% compared to January 2020 (not seasonally adjusted).

DOWNLOAD CHART

This is a big, positive change from last month.



Kansas has improved compared to the US for high and middle wage jobs.

Data from last meeting for Kansas showed high wage jobs were down -7% & Middle wage jobs were down -12%.

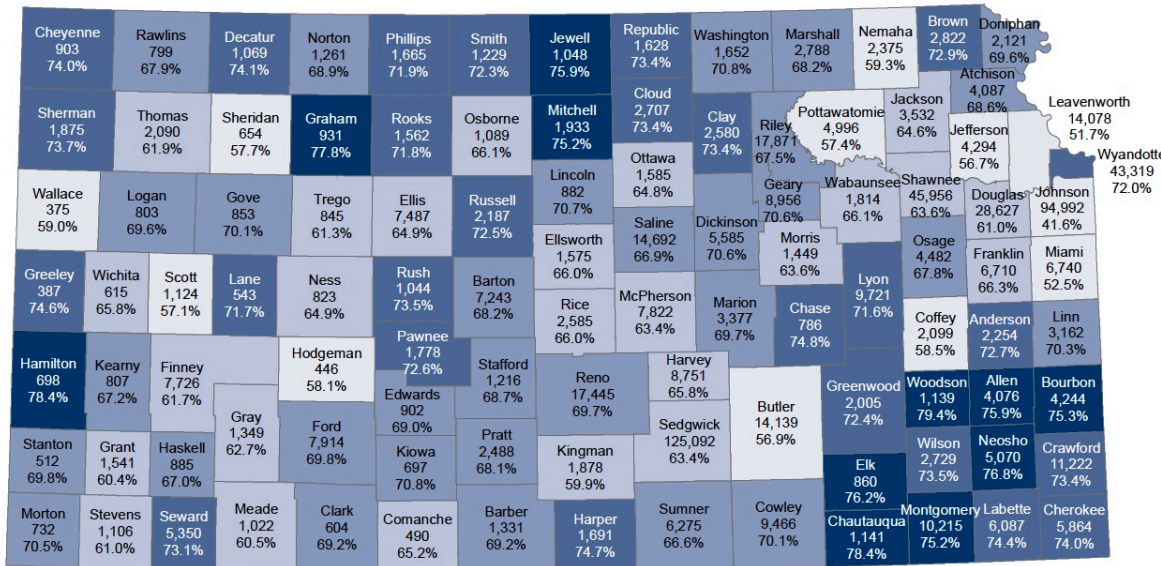
Low wage jobs were also down -21% in Kansas from the last meeting and are still depressed, but not as much as in the US

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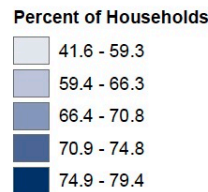
How Many Households will get Stimulus Checks?

Household with Income Less than \$75,000 in Kansas, by County
2015-2019




Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-19 American Community Survey.

Kansas Households with Income < \$75,000
Number: 688,121
Percent: 60.9%



- Estimate 61% of Kansas households will get those payments.
- In some Kansas counties (darker colors), over 75% of households will receive stimulus checks from the American Rescue Plan Act of 2021.

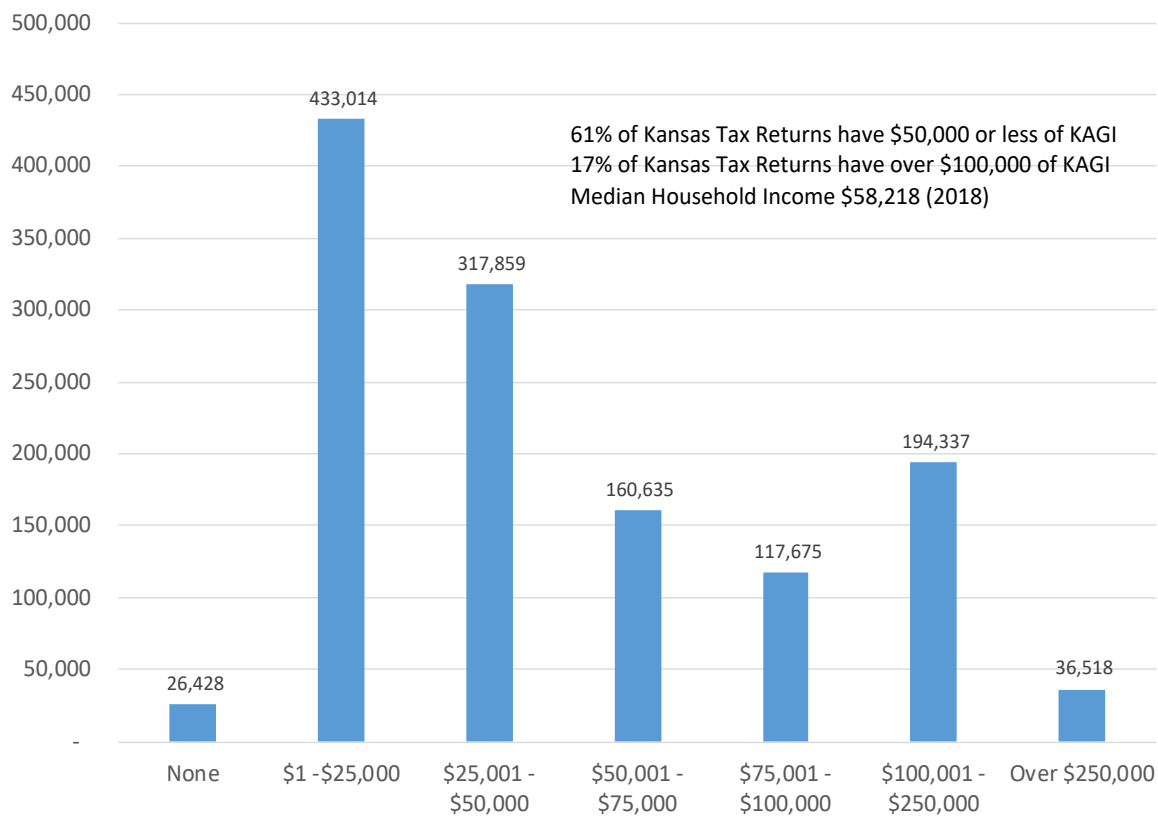


Distributional Impact of SB-50

The Wealthy Benefit More

Distribution of Individual Kansas Income Taxes

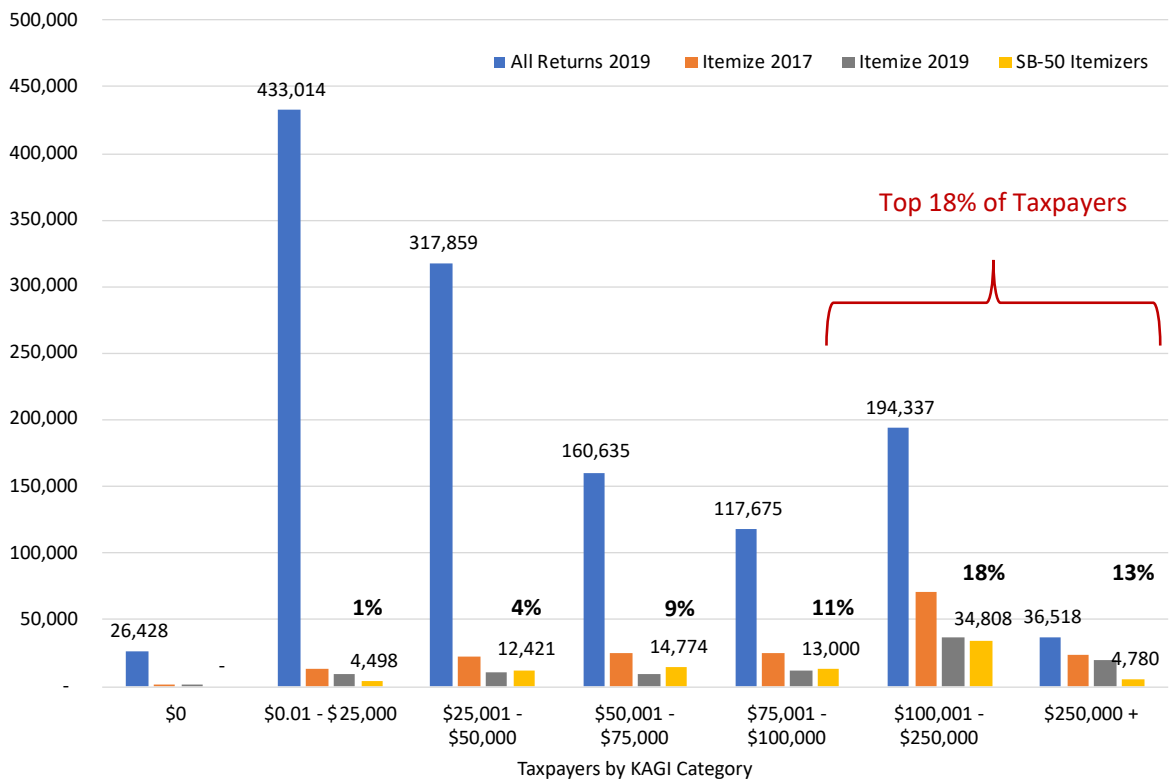
Distribution of Taxpayers by Maximum Kansas Adjusted Gross Income, 2019



- In FY2019, 61% of Kansas Tax Returns had \leq \$50,000 of KAGI
- Median Kansas Household Income in 2018 was \$58,218
- Less than 20% of Kansas tax returns had KAGI \geq \$100,000
 - This is the group that would benefit from itemization the most.

Who Benefits from Itemization?

Share of Taxpayers by KAGI Income Category and Those that Itemize 2017 & 2019



- SB-50 Itemizers are difference between those who Itemized in 2017 and Itemized in 2019.
- Median Taxpayer is \$21,442 KAGI
 - 1% of filers below the median will benefit from itemization.
- Percentages are estimates of those within KAGI bracket who will be new SB-50 itemizers.
 - Benefits flow to the top 18% of taxpayers
- **6.6% more taxpayers will benefit from itemization in SB-22.**

SB-50 Increases the Standard Deduction by \$500

- This results in a tax reduction that ranges between for our hypothetical taxpayers:
 - \$26.25 to \$28.50
- This won't cover the cost of two large pizzas

YOUR CART



Large Original Crust Pepperoni

[Remove](#) | [Edit](#) | [View Details](#)

1 **\$14.75**

Make it Extra Large

Add Extra Cheese



Large Original Crust Pepperoni

[Remove](#) | [Edit](#) | [View Details](#)

1 **\$14.75**

Make it Extra Large

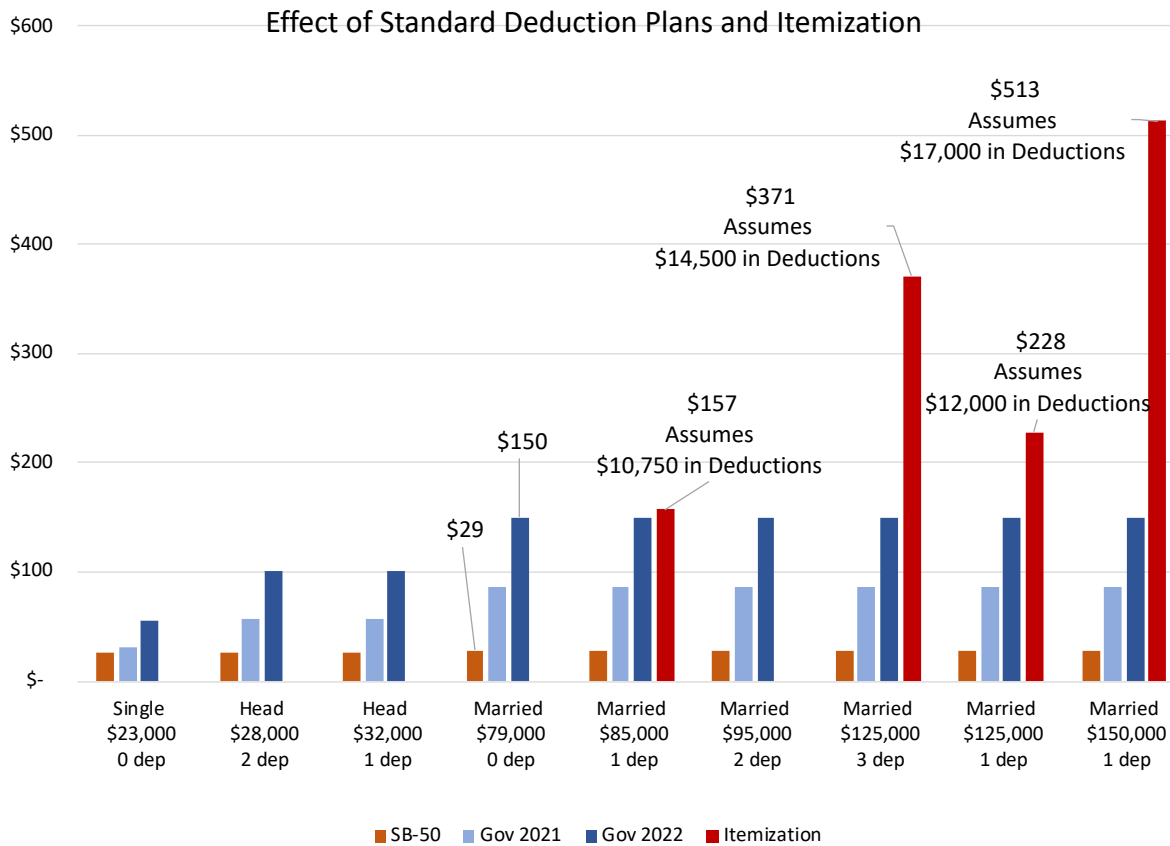
Add Extra Cheese

Total before discounts	\$29.50
Subtotal	\$29.50
Estimated Tax	\$2.74

Total **\$32.24**

Enter it here.

Who Benefits from Itemization?

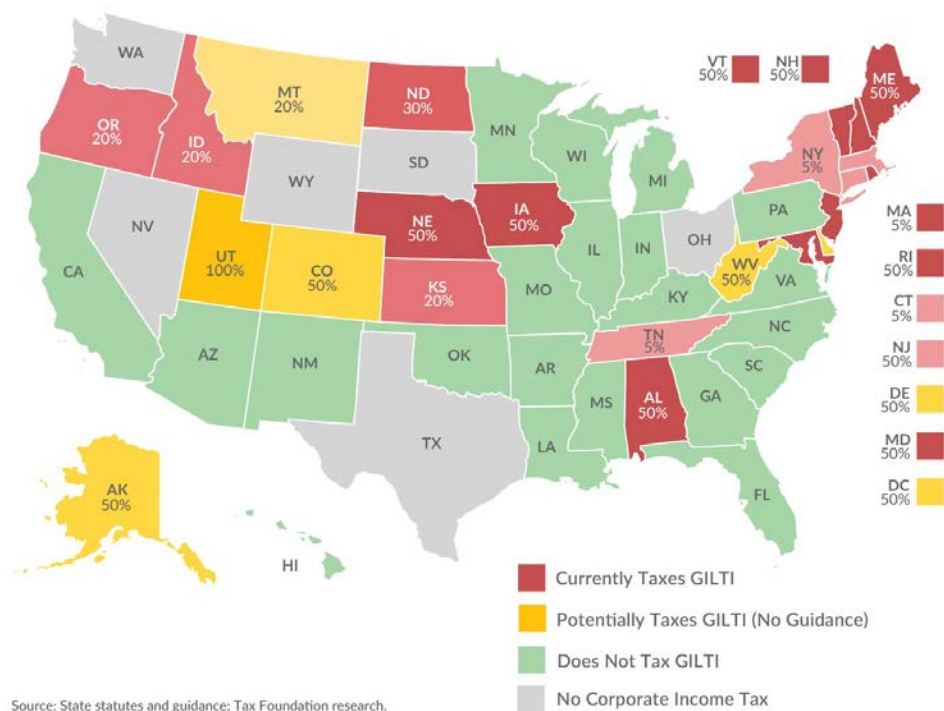


- Governor's proposed increase in the standard deduction by 35%
 - Tax savings ranges between \$101 to \$150 per year for our hypothetical taxpayers.
- Taxpayers would need \$10,750 in deductions to break-even with the Governor's plan.
 - More deductions mean higher tax reductions.
- But only 6.6% of mostly higher income taxpayers would benefit.

GILTI Across the Country

State Taxation of GILTI

As of January 1, 2020



Source: State statutes and guidance; Tax Foundation research.

TAX FOUNDATION

@TaxFoundation

- Global Intangible Low-Taxed Income (GILTI) is taxed at the federal level
- Fiscal note in FY 2022 GILTI will cost -\$24.2 M
- Large multinational corporations are most likely to pay GILTI
- 773 corporations paid almost 91% of corporate taxes.
- Assume 200 companies have GILTI:
 - \$121,000 tax break per company

PPP Expense Deductions Will be Costly

- Kansas received \$6.6 Billion in PPP loans
- Provision in December COVID Relief Act allowed businesses to deduct expenses paid for with PPP loans.
- This results in three tax breaks:
 - Forgiveable loan
 - Loans are counted as non-taxable income.
 - Businesses can take additional deductions.
- Conforming will cost the state \$360 million.

Thank You!

Thank You *Mahalo*
Kiitos
Tack
Grazie **Thanks**
Toda
Obrigado
Takk **Gracias** *Merci*
Danke

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