Lawrence Chamber of Commerce
Economic Development Marketing Program
Impact Survey Addendum

Prepared for
The Lawrence Chamber of Commerce

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PURPOSE

This report is a supplement to our previous report, the Lawrence Chamber of Commerce Economic Development Marketing Program Impact Survey Report, July 1996. This report identified the impact on the Lawrence/Douglas County economy of firms doing business within this area that have been assisted in some way by the Chamber of Commerce Economic Development Marketing Program. It was requested that, in addition to the impact on income and jobs presented previously, a measure of the impact on sales taxes and property taxes be considered.

DESCRIPTION OF THE ADDITIONAL INFORMATION

Property Taxes
Property values for 35 firms from the original survey were researched at the Douglas County Administration Building. Plate and account numbers were identified for real and personal property, respectively, and the 1996 appraised values and taxes recorded, along with the county totals. The specific firm names and figures used in the analysis are being held confidential by this Institute. Only the combined totals will be presented here.

Sales Taxes
The vast majority of the reporting firms made no sales into the local area. Goods shipped out of Lawrence to undergo further manufacturing, or to be sold by a different corporate entity, or firms that have no product to sell, or who sell a service to a larger entity do not generate sales at the local level. For this reason, a measure of a direct impact by these firms on sales taxes in the local area is not possible.

However, employee earnings have contributed to local taxable sales. Using the numbers previously reported, we have estimated the portion of these sales attributable to the wages and salaries produced by the primary and secondary employment created by these firms. For the calculations behind these figures, see the sections following.

RESULTS

Real Property

<table>
<thead>
<tr>
<th>1996 Appraised Value</th>
<th>1996 Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the 35 selected firms</td>
<td>$106,683,050</td>
</tr>
<tr>
<td>Douglas County Total</td>
<td>$3,676,336,581</td>
</tr>
<tr>
<td>Firms total as a Percentage of County</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Personal Property

<table>
<thead>
<tr>
<th>1996 Appraised Value</th>
<th>1996 Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the 35 selected firms</td>
<td>$100,508,160</td>
</tr>
<tr>
<td>Douglas County Total</td>
<td>$236,522,255</td>
</tr>
<tr>
<td>Firms total as a Percentage of County</td>
<td>42.5%</td>
</tr>
</tbody>
</table>
Sales Taxes

Douglas County Taxable Sales in 1993 $646M
Sales related to employment generated by the 35 firms $95M
Sales as a percentage of County Total 15%
Sales Taxes paid by employment related to the 35 firms $5.6M

NOTES & CALCULATIONS

Concerning Real Property
Business real estate is assessed at about twice the rate of residential real estate. Therefore, the percentage of taxes paid by the 35 firms should be larger than their percentage of property ownership. It should be noted, though, that tax abatements have reduced the actual amount assessed. Of the 70 plates identified as belonging to these 35 firms, 12 have no tax assessment.

Concerning Personal Property
Since only businesses are assessed this tax, and since these 35 firms represent some of the largest businesses in the area, it is not surprising that such a large percentage of value and taxes are accounted for by these firms.

Concerning Sales Taxes
In our previous report, we calculated income received by employees of the 35 firms and the jobs secondarily created by this employment. We then compared this to total “earned” income (wages and salaries, other labor, and farm and non-farm proprietor’s income). There are other elements that are combined with this to make up the broader category of “Personal Income.” These other parts include property income and transfer payments. The use of this broader category is necessary in an analysis of taxable purchases and will be used below. In order to insure data compatibility, all figures used are from 1993.

Total Douglas County earned income by place of work in 1993 $941,242,000
Total Personal Income for Douglas County in 1993 $1,384,569,000

We know that individuals are not the only ones who make taxable purchases. Businesses also make purchases. A study published in the June 1989 issue of the National Tax Journal determined that businesses account for about 35% of taxable purchases, leaving 65% to be attributed to individuals. Once again using 1993 figures, we have done a simple calculation of Douglas County sales:

Total state sales tax collections reported for 1993 $31,673,823
Total Douglas County sales for 93 (approximately) $646,404,551
Percent of sales attributable to individuals (from above) 65%
Total DG sales attributable to individuals $420,162,958
Individuals’ taxable sales as a percentage of Total Personal Income 30.3%
The calculation of total sales for the county was performed by dividing the sales tax collection figure by the tax rate of 4.9%. It is not intended to be an absolute figure, but is presented as a simple method of approximation.

What we’re saying with these figures is that of the total personal income in Douglas County, 30% becomes taxable purchases by individuals. Another way of looking at this is to think that about 30% of a worker’s income ends up being spent on taxable items. If we assume about a third goes to various income taxes and another third goes to housing, then this is probably in the ballpark.

Applying this 30% to the amount of income we have already reported as attributable to the primary and secondary employment generated by the 35 surveyed firms, we have the following:

- Surveyed firms account for individuals’ income of $315,253,427
- Amount spent on taxable items $95,667,181
- Amount as a percent of taxable purchases by individuals 22.8%
- Amount as a percent of all taxable purchases 14.8%

Applying the sales tax rates to these figures yields the following tax figures:

<table>
<thead>
<tr>
<th>Year</th>
<th>Calculated Douglas County Sales</th>
<th>State Sales Taxes paid @ 4.9%</th>
<th>City Sales Taxes paid @ 1%</th>
<th>Total Taxes Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>$646,404,551</td>
<td>$4,687,692</td>
<td>956,672</td>
<td>$5,644,364</td>
</tr>
<tr>
<td>1994</td>
<td>$703,460,367</td>
<td>$5,101,458</td>
<td>1,041,114</td>
<td>$6,142,571</td>
</tr>
<tr>
<td>1995</td>
<td>$715,530,388</td>
<td>$5,188,989</td>
<td>1,058,977</td>
<td>$7,306,943</td>
</tr>
</tbody>
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