



January 25, 2022

Emily Fetsch, Director of Fiscal Policy  
Kansas Action for Children  
Verbal testimony in support of HB 2487  
House Committee on Taxation

Chairman Smith and members of the Committee:

Thank you for the opportunity to provide testimony in support of HB 2487. Kansas Action for Children is a nonprofit advocacy organization working to make Kansas a place where every child has the opportunity to grow up healthy and thrive. We work across the political spectrum to improve the lives of Kansas children through bipartisan advocacy, partnership, and information-sharing on key issues, including early learning and education, health, and economic security for families. We support the elimination of the food sales tax, at the state-level, because Kansas families shouldn't struggle to put nutritious food on the table – and the state is now in a financial situation to prioritize this change.

KAC believes the answers to practical questions about taxes – like how high or low they should be, who should pay and how much, and what should be taxed – flow from strong and equitable principles. These are broadly recognized as the foundation of a system that works. KAC evaluates tax policy by looking at six measures. Below, we will evaluate if the elimination of the state food sales tax achieves these measures.

**Adequacy: The elimination of the food sales tax will reduce revenue significantly, but the elimination alone won't impact vital services**

The elimination of the food sales tax will be costly. However, Kansas has been experiencing strong revenues for over a year. The elimination of the food sales tax, on its own, does not appear to put Kansas in a bad fiscal position in the coming years. But if the elimination of the food sales tax is tainted by the inclusion of expensive, regressive, and unnecessary tax breaks for the wealthiest Kansans, the state will move into a precarious fiscal situation. It will be important to continue to monitor the state's revenue position to ensure the state can maintain services without this revenue source in the short- and long-term.



### **Fairness: This proposal will help every Kansan put food on the table**

The past two years have been difficult for so many Kansans, particularly Kansas families with children. Food, housing, and job insecurity shadowed too many Kansas families before COVID-19 and the related economic downturn, and we continue to see too many families struggle to meet their basic necessities.

According to the U.S. Census Bureau Household Pulse Survey:

- Two in five Kansas families with children in the household (41 percent) have had some period of job loss since March 2020.
- More than one in ten Kansas families with children in the household (11 percent) do not know if they can make their next rent or mortgage payment.
- 11 percent of adults with children living in the household say their household sometimes or often did not have enough food to eat in the past week.

*Note: The most recent data is from Sep. 15–Oct. 11, 2021.*

We know low- and moderate-income families are the most likely to experience food, housing, and job insecurity. While the elimination of the state sales tax on food will help every Kansas family afford groceries, it will have an increased benefit for low- and moderate-income families. Sales taxes worsen income inequality as low-income people must pay a higher share of their income on basic needs like groceries. Research shows “the lowest-income fifth of American families spend almost twice the share of their annual income on food at home than the highest-income fifth do: 10.3 percent versus 5.7 percent.”<sup>16</sup> Lower-income households shouldn’t pay a higher share of their income in taxes than do high-income households. The elimination of the food sales tax will ensure low-income families don’t have to spend a bigger chunk of their paycheck than higher-income on groceries at the state level.

### **Equity: A start to help close the racial wealth gap**

Eliminating the state sales tax on food would particularly help households of color, given their disproportionate concentration at the lower end of the income scale, due to historical and current structural barriers.

In Kansas, sales and excise taxes are worsening disparities in income by race and ethnicity in Kansas. Sales tax is a regressive tax, meaning low-income Kansans pay a higher share of their income on the tax compared to their higher-income counterparts. According to the Institute on Taxation and Economic Policy:



- Black households in Kansas pay an average effective sales and excise tax rate (4.7 percent) that is 27 percent above the average rate (3.7 percent) and 31 percent above the rate faced by the average white household (3.6 percent).
- Hispanic households pay an average rate (4.5 percent) that is 22 percent above average and 25 percent above the rate faced by the average white household.

The elimination of the state sales tax on food could help assist in making the average effective sales and excise tax rate more equitable.

**Simplicity: The current food sales tax credit can be complicated; the elimination of the state food sales tax would be a simpler way to help families get food on their tables**

In 2013, the food sales tax credit was made nonrefundable, along with accompanying changes in eligibility. The credit had been refundable, meaning filers whose credit exceeded their tax liability received the difference in their refunds. Nonrefundable credits are less helpful for low-income Kansans, who often do not owe enough in taxes to benefit. These changes dramatically decreased the number of filers using the food sales tax credit.

The current credit is a relatively small amount and only available to some low-income people. In addition, eligible Kansans must be aware of the credit to file the paperwork and only receive the money once a year. In contrast, the elimination of the state food sales tax would benefit every Kansan every time they are at the grocery store register, realizing the savings immediately.

**Sustainability: It is important to ensure the elimination of the food sales tax is affordable for the state for the long-term**

Policymakers should avoid unpredictable, large fluctuations in the amount of revenue collected each year. This proposal would lead to a large fluctuation in revenue collected but coincides with higher-than-average revenue receipts.

For lower-income families, it is likely they will put the money saved from the elimination of the state food sales tax immediately back into the economy. The past few months have shown that when lower-income families have additional money, like through the federal stimulus checks or the monthly child tax credit payments, most spend the money immediately, with nine in ten Kansas families with low-incomes spending it on basic necessities.<sup>ii</sup>



**Elasticity: The proposal will not achieve elasticity, as the loss in the potential revenue could continue to increase as the economy expands.**

Given the benefits of eliminating the state food sales tax, benefits that would disproportionately benefit lower-income Kansans, we believe it is the right choice, as long as the state is able to continue to fund vital services.

Kansas Action for Children supports the elimination of the food sales tax because it will help every Kansas family put food on the table. We are happy to answer any questions you may have. You may reach me by email at [emily@kac.org](mailto:emily@kac.org).



<b>Adequacy</b>	A tax system needs to pay for the services necessary to promote economic growth and education, to support basic needs, and to provide for many other important functions that contribute to a thriving community. Both short- and long-term adequacy are critical.
<b>Fairness</b>	Lower-income households shouldn't pay a higher share of their income in taxes than high-income households and profitable corporations do. People and companies in similar economic situations should pay roughly similar taxes. The fiscal "rules of the game" shouldn't place artificial constraints – like caps on income tax rates – that prevent policymakers from raising the revenue needed to finance public investments and to promote shared prosperity.
<b>Equity</b>	Equity needs to be built into fiscal policy. That means recognizing that tax policy is not race-neutral. Every policy impacts racial equity. It is important to assess fiscal policies for their impact on racial equity and to pursue policies that deliver anti-racist outcomes.
<b>Simplicity</b>	Tax systems should facilitate compliance by avoiding overly complicated provisions and narrowly applied loopholes.
<b>Sustainability</b>	A tax system needs to be constructed in ways that avoid – as much as possible – unpredictable, large fluctuations in the amount of revenue collected each year.
<b>Elasticity</b>	The amount of revenue collected should increase as the economy expands, reflecting the increased needs of education, transportation, and many other public services.

<sup>i</sup> Figueroa, Eric and Julian Legendre. "States That Still Impose Sales Taxes on Groceries Should Consider Reducing or Eliminating Them." Center on Budget and Policy Priorities. April 1, 2020. <https://www.cbpp.org/research/state-budget-and-tax/states-that-still-impose-sales-taxes-on-groceries-should-consider>

<sup>ii</sup> Zippel, Claire. "9 in 10 Families With Low Incomes Are Using Child Tax Credits to Pay for Necessities, Education." Center on Budget and Policy Priorities. October 21, 2021. <https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education>