STATE OF KANSAS

VIRGIL PECK, JR.
REPRESENTATIVE, DISTRICT 11
BOX 277
TYRO, KANSAS 67364

STATE CAPITOL, 561-W
TOPEKA, KANSAS 66612
(785) 296-7641

COMMITTEE ASSIGNMENTS:
CHAIRMAN: TRANSPORTATION AND PUBLIC SAFETY BUDGET
MEMBER: APPROPRIATIONS
COMMERCE & ECONOMIC DEVELOPMENT
LEGISLATIVE POST AUDIT
JOINT CORRECTIONS & JUVENILE JUSTICE OVERSIGHT

HOUSE OF REPRESENTATIVES

Testimony Regarding HB 2287

January 25, 2012

Chairman Carlson and Committee Members, thank you for the opportunity to appear before you today and provide testify in **support of HB 2287**.

No matter what you think about a back-to-school sales tax holiday, whether you like it or don't, or if you think it is or is not a good tax policy, I ask you to think about why a sales tax holiday is proposed. It is to help Kansas families, especially low income families, save some money as they prepare to send their children back to school. I may look at it differently than you, but I don't look at Kansas having a sales tax holiday as to what **negative** effect it may have on the government, but rather what **positive** effect does it have on the budget of Kansas families and businesses. My political philosophy is not about how can the government spend taxpayer money; it is about how can I help Kansas families keep more of their own money.

Having said that, I acknowledge that the Department of Revenue, a government entity, has attached a fiscal note to **HB 2287**, the fiscal note does not and cannot take into account the extra income tax dollars collected due to additional workers being on the job and sales tax collected on non-exempt items shoppers purchase in Kansas rather than out of state. I will also acknowledge that there is a fiscal note to not having a back-to-school sales tax holiday. How much money leaves Kansas each August as our citizens cross the state line into Missouri and Oklahoma to do this back-to-school shopping? I believe it is in the millions.

Missouri has had a back-to-school sales tax holiday longer than Oklahoma. Prior to Oklahoma Legislature voting to give their citizens this tax break in 2007, Southeast Kansas residents were driving 75 to 100 miles (or more) to Joplin, Missouri to do their back to school shopping; now they just go to Oklahoma. I might ask, when Kansas residents travel to Missouri or Oklahoma and spend money, what benefit does it provide to Kansas businesses, or for that matter what benefit is there to Kansas government? We all know the answer- NONE! When Kansas shoppers cross the state line during our neighboring states' tax holiday, they don't just purchase clothing, school supplies and computers. They also fill their tank with gasoline, they go to restaurants

House Taxation
Date: _____
Attachment: _____

House Education
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and they purchase other items they had not planned to (since it is right in front of them, they decide to go ahead and spend the money).

Again, when money is spent in another state it benefits Kansas nothing. However, when consumers purchase goods in Kansas, those dollars are reinvested in the Kansas economy. Not only does a tax holiday provide immediate, direct tax relief to consumers, it also spurs economic growth and development.

I attached a couple things to my testimony. One is a news story that appeared in USA Today on August 2, 2010. The other is a letter to the editor from an Oklahoma Legislator regarding the Oklahoma sales tax holiday. Along that same line: Texas Senator, Rodney Ellis was quoted in a different USA Today story as saying, "I've passed over 400 bills, but I got more e-mail 'Thank yous ' and pats on the back for the tax holiday than for anything else.

Craig Shearman, Vice-President for Government Affairs for the National Retail federation, which represents 1.6 million retail establishments across the country, said **stores reported a 35 to 40 percent increase in sales during sales tax holidays**. "It is definitely a net increase in sales. It is not just a matter of shifting." He also said "Sales tax holidays are more important in today's economy where so many families are stretched very tightly and trying to squeeze every penny out of a dollar that they can."

Although I could say much more, I will close with this. A man named Mike Davis, who was a store manager with JC Penney's at Oak Park Mall in Johnson County, relayed his experience. He told us that on a normal day the Oak Park Mall Penney's sales volume was double that of the Metro North Penney's in Missouri. However, on the first day (Friday) of the sales tax holiday, the Missouri store had a 101% gain in sales while the Kansas store suffered a 2% loss for the day. Who won Kansas or Missouri?

Thank you Mr. Chairman, I will stand for question at the proper time.

Extended hours in Okla

Nation

18 states give break from sales taxes

By Martha T. Moore
USA TODAY

Despite state budget troubles, more states than ever are embracing sales tax holidays, which aim to please back-to-school shoppers even as they draw criticism from economists.

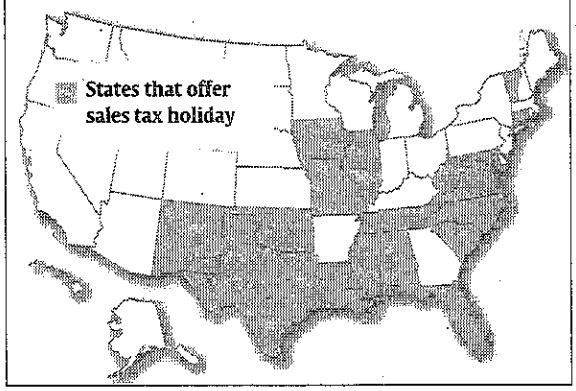
Illinois will offer tax-free shopping this month for the first time, bringing to 18 the number of states that suspend sales tax on designated days, up from 16 states in 2009 and seven in 2000.

The end of summer is the most popular time for tax holidays: 15 states will suspend sales taxes this month.

"For once in their life (consumers) get an opportunity to buy something without the government marking it up," says Mississippi state Sen. J. Walter Michel, a Republican who sponsored the bill that initiated the tax holiday in 2009. Mississippi held its second tax-free shopping weekend Friday and Saturday, dropping the 7% state sales tax on clothes and shoes priced under $100. "I'm going to go buy some blue jeans and socks and underclothes," Michel said last week.

Sales tax holidays

Each state restricts the sales tax exemption to certain types of merchandise and imposes a price cap.



Source: Tax Foundation

By Julie Snider, USA TODAY

By Amanda McCoy, The Sun Herald, via AP

Getting a workout: Employees restock shelves at the Polo Ralph Lauren Factory Store in Gulfport, Miss., on Friday.

Mississippi, like other states, had to make deep cuts to balance its budget for fiscal year 2011. "I'm much more concerned about the consumers saving a little money on their purchases than the (loss) in state revenue," Michel says. The final tab on a pair of $44 men's Levi's at J.C. Penney in Jackson, for instance, would not include the $3.08 sales tax.

In Massachusetts, a bill to offer sales-tax-free shopping in August is awaiting the governor's signature.

Yet Georgia skipped a tax holiday this year for the first time since 2002. The state faces an estimated $371 million deficit for 2011. Its tax holiday last year, on clothing and school supplies including computers, cost an estimated $13.2 million in lost revenue, according to the state.

Policy analysts at both ends of the political spectrum say tax holidays are stunts that don't boost the economy and hurt state budgets.

Sales tax holidays are "a political gimmick," says Mark Robyn of the Washington, D.C.-based Tax Foundation, which backs broader tax cuts.

Tax-free days cause shoppers to shift their spending, not increase it, Robyn says.

The Center on Budget and Policy Priorities, which analyzes public spending's effect on low-income people, says that states can't afford to give tax holidays and that the money is better spent on programs such as education. "It costs states money that they don't have," says Nicholas Johnson, the center's state fiscal project director.

States face a budget gap of $84 billion for fiscal year 2011, which in many states began July 1, according to the National Conference of State Legislatures.

Retailers say they favor anything that gets consumers into stores. "It might be a short-term thing, it might be a temporary thing, but that's the kind of stimulus" that's needed, says Rachelle Bernstein of the National Retail Federation. "At a relatively low cost to the state."

Coffeyville Journal
4-7-10

To the Editor:

As I listened to the wailing and gnashing of teeth by the Oklahoma Municipal League (OML) and its lobbyists about my proposal to end the grocery sales tax, the story of "Chicken Little" came to mind.

OML is a special interest group funded with money from cities and towns (originally collected from you, the taxpayer) to speak out on municipal issues. As sure as the sun rises in the east, you may rest assured that any effort to provide tax relief to residents of cities and towns will draw their ire.

This was the group that, for years, managed to deny Oklahoma families the back-to-school sales tax holiday. Their argument, just like Chicken Little claiming the sky is falling, was that it would devastate city budgets to provide this modest sales tax relief to families. Facts about such a sales tax holiday just did not matter to this group.

The facts are this: The sales tax holiday actually increased tax collections through increased economic activity; cities and towns are reimbursed for their "lost" sales tax on top of the increased tax collections the sales tax holiday spurred; and, the holiday was called "the most taxpayer-friendly" policy ever enacted by the Legislature.

The sky did not fall; Chicken Little was wrong.

Chicken Little is at it again. OML claims that removing the sales tax on groceries would devastate cities and towns. Again, the facts apparently do not matter.

The bill clearly guarantees cities and counties would be made whole when they can no longer collect the grocery tax. The bill says "revenue shall be apportioned to each municipality, county or authority...equal to the amount of sales tax revenue of such municipality, county or authority exempted" by the bill.

The sky will not fall; Chicken Little is wrong – again.

Further, the measure ensures that ending the grocery sales tax would not further devastate state services. It would take effect only when state revenues recover to pre-recession levels – a level that would ensure vital services would not be cut when the grocery tax ends.

Another troubling presumption OML apparently makes is that the $406 million that would be returned to families once the grocery tax ends simply would disappear from the economy. No, $406 million would remain in local communities, in the pockets of Oklahoma taxpayers.

That money, a quarter-billion dollars of which is sucked out of local and family budgets and sent to the state treasury in Oklahoma City, would remain in local communities. It would be spent in local communities, boosting not only family budgets, but local economies and businesses as well.

The grocery tax is a hurtful, regressive tax that hits average families hardest because it devours a greater percentage of their income than it does for the very wealthy. That is why I have continued my fight to remove the sales tax on groceries, and why – no matter the outcome this year – I will continue this battle so long as I serve in the Senate.

Senator Jay Paul Gumm, D-Durant

Virgil Peck Jr.
District 11