



Chairman Johnson and Members of the Committee,

We appreciate this opportunity to submit written testimony for HB 2720, which makes the current food sales tax credit refundable. Here are three points for your consideration:

1. HB 2720 adversely affects married filers over single filers
2. HB 2720 structurally cannot directly address food purchased at the point of sale
3. HB 2720 increasing progressivity will not grow the Kansas economy
4. HB 2720 protects more low-income Kansans from state taxation
5. November 2019 Consensus Revenue Estimates makes HB 2720 budget neutral
6. HB 2720 maintains Kansas taxpayer purchasing power

HB 2720 adversely affects married filers over single filers

HB 2720 allows a refundable food sales tax credit for single filers making \$30,000 and \$40,000 for a head of household and married filing joint returns. However, this means that two single filers making \$30,000 that get married would be penalized by HB 2720. HB 2720, in its current form, presents a higher reward to be a single filer than to file married jointly.

HB 2720 does not lower the cost of food at the point of sale

HB 2720 is an income tax credit, meaning it's most immediate effect is once a year during tax filing season. While dollars are fungible, the temporal component of HB 2720 does not make food cheaper at the point of sale. Kansans will still pay up to 11% for food in certain parts of Kansas.¹ Seeing a larger refund on tax day is not the same tax relief.

HB 2720 increasing progressivity will not grow the Kansas economy

HB 2720 is a tax credit designed to lower tax burdens on low-income Kansas taxpayers. HB 2720 increasing progressivity in the Kansas tax code by raising the effective tax rate as the tax base (income) rises. HB 2720 affects those who have lower overall consumption and goes away once income exceeds a specific limit. HB 2720 creates a disincentive to work and to consumer goods and services that are complements to work.² Therefore it is crucial to understand HB 2720 is not a tool to grow the Kansas economy but to ease the financial burden on poorer households.

¹ Kansas Department of Revenue, *Sales & Use Tax Jurisdiction Code Booklet*, [http://rvpolicy.kdor.ks.gov/Pilots/Ntrntpil/IPILv1x0.NSF/0054dea677fc8aa586257a7e0057b460/bbecc71cd1f611b08625818b003d909f/\\$FILE/Pub.%20KS-1700%20Sales%20Use%20Tax%20Jurisdiction%20Code%20Booklet-Instructions%20Web%20Links%20Rev.%202-17%20eff%204-17.pdf](http://rvpolicy.kdor.ks.gov/Pilots/Ntrntpil/IPILv1x0.NSF/0054dea677fc8aa586257a7e0057b460/bbecc71cd1f611b08625818b003d909f/$FILE/Pub.%20KS-1700%20Sales%20Use%20Tax%20Jurisdiction%20Code%20Booklet-Instructions%20Web%20Links%20Rev.%202-17%20eff%204-17.pdf)

² Alex D. Viard, *Should Groceries be Exempt from Sales Tax*, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2218546

HB 2720 protects more low-income Kansans from state taxation

HB 2720 increased the food sales tax credit to all Kansans under an income limit. HB 2720 allows more Kansas taxpayers to avoid paying Kansas income taxes.

HB 2720 maintains Kansas taxpayer purchasing power

By indexing the food sales tax credit to inflation, HB 2720 ensures the purchasing power of Kansans' after-tax income does not decline

We urge the committee to consider these points for action on HB 2720.