

To: Senate Assessment and Taxation Committee, Senator Caryn Tyson, Chair

From: John Donley, Kansas Farm Bureau

Date: March 23, 2021

Re: SB 296 - Concerning sales and compensating use tax; rates, food and food ingredients

Chairwoman Tyson and members of the Committee, I appreciate the opportunity to provide testimony in opposition to SB 296. My name is John Donley, and I am speaking today on behalf of Kansas Farm Bureau (KFB). KFB is the state's largest general farm organization representing more than 30,000 farm and ranch families through our 105 county Farm Bureau Associations.

While the reduction or elimination of the sales tax on food and food ingredients has received significant political attention over the past few years, the policy implications of such a decision has been mostly overlooked. I am here today to discuss the basic policy implications of reducing the sales tax on food.

Kansas Farm Bureau has clear policy opposing SB 296. Below are the two policies of Kansas Farm Bureau related to this issue:

- "The sales tax should be applied at the retail level."
- "All citizens are consumers of food and are uniformly taxed on the food they purchase. We oppose legislation to reduce or exempt the sales tax on food."

People often state that applying the sales tax on food is very regressive tax policy toward low income individuals and families. The Tax Foundation has stated that "while grocery sales tax exemptions are well-intended, in practice they are limited in their ability to help low-income consumers." *See* Tax Foundation Fiscal Fact No. 598 (attached).

State and federal laws already have tax policies in place that relieve the burden of low income families and individuals from paying state and local sales taxes. Food purchased with SNAP benefits are not subject to state and local sales tax. *See* U.S.C. 2013(a). WIC purchases are also not subject to state and local tax. *See* U.S.C. 1786(c)(4). Furthermore, Kansas has a non-refundable income tax credit for low income individuals (K.S.A. 79-32,271). If this body is truly concerned about low income families and individuals having tax relief, a policy discussion surrounding making that credit refundable would have a more direct effect on the individuals SB 296 is attempting to help. Kansas Farm Bureau does not have a policy position on that type of credit.

In conclusion, Kansas Farm Bureau opposes the reduction in the food sales tax because food is one of the final sale destinations for agricultural products. A **retail sales tax** system should be designed to tax the ultimate retail sale. It is our fear that the reduction in the retail sales tax of food may be a first step in moving toward a value added taxing (VAT) system, which we strongly oppose. Therefore, we encourage you to oppose SB 296.

Thank you for the opportunity to testify today, and I will stand for questions at the appropriate time.