

February 18, 2019

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Kansas Action for Children
Verbal, Neutral Testimony on House Bill 2261
House Taxation Committee

Chair Johnson and Members of the Committee:

Thank you for the opportunity to provide neutral testimony on House Bill 2261. Kansas Action for Children's vision is to make Kansas the best state to raise a child and to be a child, and our organization shapes health, education, and economic policies that benefit Kansas children and their families.

Tax policies implemented in 2012 undermined the financial well-being of working families. While gradually and responsibly lowering the food sales tax rate can be part of the continued fiscal recovery from the Brownback tax plan, we urge policymakers to consider alternative options that would target low- and middle-income Kansans.

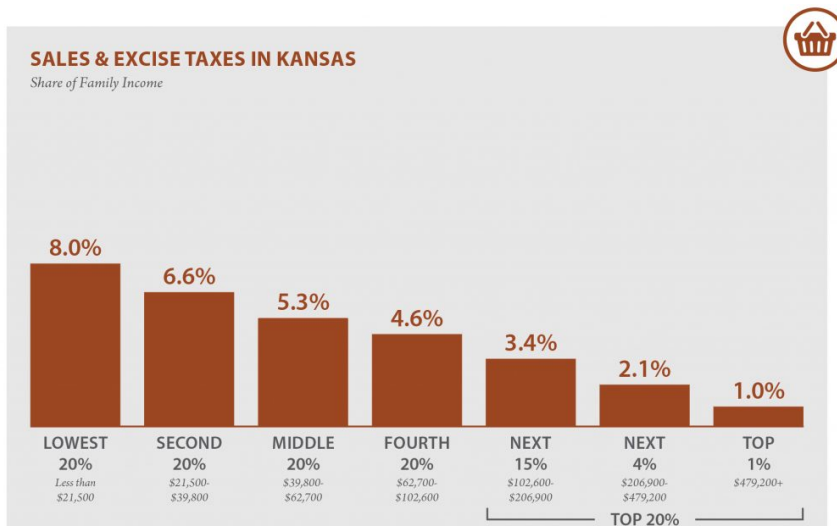
The current food sales tax rate is too high. Kansas is one of only seven states to fully tax the sale of groceries and has the second-highest food sales tax rate in the nation. County and city governments levy additional taxes, bringing the total sales tax rate as high as 11% in some areas and pushing some Kansas communities far above the national average.

The high food sales tax hurts Kansas families, particularly low-income Kansans. According to the Institute on Taxation and Economic Policy, the state's increasing reliance on sales tax hurts Kansas' poorest residents. The lowest 20% of income earners in Kansas pay an average of 8% of their income in state and local sales and excise taxes, compared with 1% for the top 1% of earners.

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While lowering the food sales tax would help low- and middle-income families, there are more targeted policy solutions, which will likely have lower fiscal notes, that can help these Kansas families put food on the table.

While Kansas currently has a food sales tax refund, the amount of the refund, along with the eligibility level, severely limits the number of beneficiaries.

In 2013, the credit was made nonrefundable, which was coupled with changes in eligibility. The credit was previously refundable, meaning filers whose credit amount exceeded their tax liability could receive the difference. Nonrefundable credits are less helpful for low-income earners, who often do not have high levels of tax liability to benefit from the credit. These changes dramatically decreased the number of filers able to benefit from the credit.

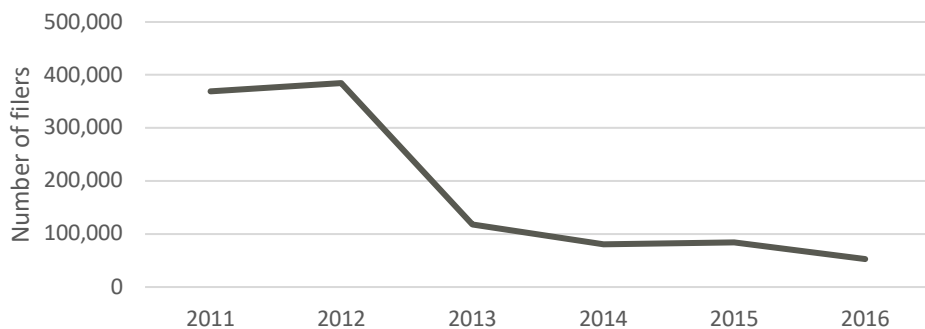
For those who continue to qualify, the credit is only \$125 per person listed on the return. The current amount of the food sales tax credit does not provide substantial assistance to low-income families that are eligible. According to the official USDA, the weekly cost of a “thrifty” food plan for a family of four is \$148.90.

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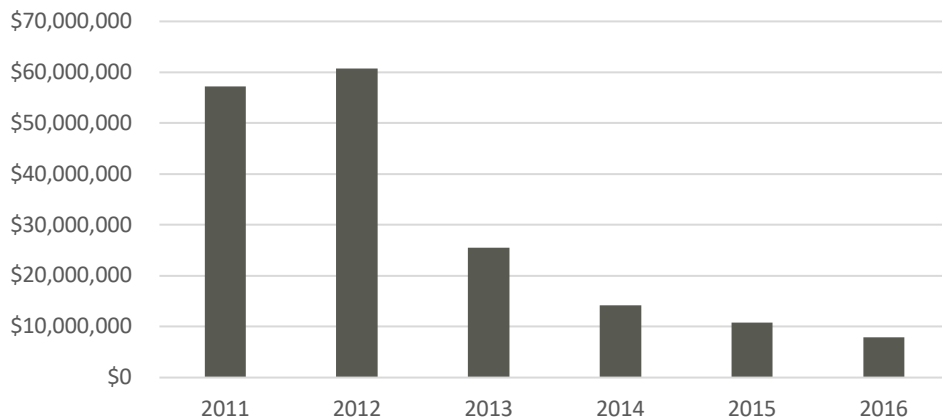
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Kansans receiving Food Sales Tax Credit declined dramatically after eligibility, refundability changes in 2013



Source: Kansas Department of Revenue, Division of Taxation. Tax Expenditure Reports 2012-2017.

Total refunds spent on Food Sales Tax Credit



Source: Kansas Department of Revenue, Division of Taxation. Tax Expenditure Reports 2012-2017.

Increasing the amount of the refund, while broadening who is eligible to receive it, would be a targeted and cost-effective solution to helping working Kansans access healthy food.

Another targeted solution lawmakers could examine is how housing credits can assist low-income individuals and families. Property tax programs — such as the Homestead Property Tax Rebate for renters eliminated in 2013 — can provide much-needed financial assistance to individuals who pay a significant amount of their income toward housing. In 2017, 17 states and the District of Columbia used circuit breakers,¹ and 12 other states provided property tax credits to low-income families based on their income.² In FY 2013, the Kansas Department of Revenue issued \$37,586,043 in homestead refunds to 115,719 homeowners and renters.³

Kansas Action for Children supports fiscally responsible strategies for helping low- and middle-income Kansans make ends meet. At this time, as we continue to rebuild after years of economic challenges, we encourage policymakers to consider more targeted policy solutions to help working families in our state.

Thank you for the opportunity to discuss House Bill 2261, and please do not hesitate to contact me at adrienne@kac.org if you have any questions.

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¹ Circuit breaker credits help taxpayers earning below a certain income level by providing economic assistance when their property taxes exceed a certain percentage of their income.

² Center of Budget and Policy Priorities.

³ Kansas Department of Revenue, Division of Taxation. Taxation Expenditure Report-Calendar Year 2012.