



Written KRHA Neutral Testimony SB 277
Senate Tax
Adam Mills, President KRHA
March 3, 2025

Incentivize Work. The Kansas Restaurant and Hospitality Association is concerned that the Kansas Legislature should do more to both remove barriers and create a culture that values work. Work is a good and decent virtue that leads to personal integrity and societal respect. Work is both a vocation and how we serve our neighbors. There are too many rules, whether they be expressed through taxes or regulatory limits, that create disincentives toward work. Kansas is on the verge of a demographic cliff, and we need to understand these systematic barriers.

KRHA sees the “No Tax on Tips” proposal as an expression of support for work. However, this cannot be the exclusive solution. There are many additional avenues to consider. First, the tax on overtime hours should be removed. Second, the on-ramp to work for our youth should be more seamless. Whether we want to recognize it or not, we happily fund bonding schemes for youth activities that have activities into the early morning hours but are challenged by allowing our youth to work past 7PM on a school night. We had a member receive an \$80,000 federal DOL fine because a motivated employee wanted to finish a small project and missed the 7PM deadline. Finally, Kansas should recognize that every job is valuable, including our back of the house staff, and has meaning. Our funding should be prioritized to respect this reality.

With that said, our national organization, the National Restaurant Association (NRA) is highly engaged in the topic. We have a measure of confidence that the federal government will drive this solution. As a compliance state, getting ahead of this issue will likely require Kansas to revisit this issue again next year.

We support our national position that reads, *“Eliminating taxes on tips would put cash back in the pocket of a significant number of workers in the restaurant and foodservice industry and could help restaurant operators recruit industry workforce. The No Tax on Tips Act of 2025 is sensible legislation that includes refinement and protections to make it fiscally responsible while still benefiting our employees. We appreciate Sen. Marshall and Sen. Cruz’s efforts to refine this legislation and look forward to working with them on this and other legislation to support restaurant vitality across the country.”* These negotiated details in the federal language significantly matter to our industry.

KRHA does appreciate the willingness of the Kansas Legislature to prioritize tax treatment for a percentage of our workforce. For additional background, according to the NRA, servers and bartenders earn on average \$25 per hour and it isn’t uncommon for them to earn more than \$50,000. Keeping in mind, the average salary for a recent college graduate in Kansas is a little more than \$42,000 or \$20.27 per hour. Just so everyone understands, serving and bartending is a legitimate profession. The work they do is important, but they can’t do it alone, it’s a total team effort to provide great food and service for our dining public.

If we move towards this solution, please know it will provide positive assistance to only a portion of our workforce. The overall pressures of the economy remain significant; food price inflation (35% over five years), wage inflation (28% up), credit card swipe fees, and utility costs are drowning restaurants & hotels. If these economic headwinds continue – and the legislature doesn’t address the other priorities of KRHA – then there simply won’t be as many servers enjoying tax-free tips.

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