

House Committee on Taxation

Neutral Testimony on House Bill 2711

Presented by Eric Stafford, Vice President of Government Affairs

Wednesday, March 2, 2022

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to submit neutral testimony on House Bill 2711, which proposes to lower food sales tax down to 3.5% and then have future rate reductions through growth in state receipts.

As with previous proposals related to the food sales tax, we would respectfully request that the committee not treat candy differently under the definition of food and food ingredients as currently drafted in the bill on page 6. Under the current definition of food in HB 2711, a TWIX bar will be taxed at the lower rate because it contains flour, but M&M candies will be taxed at the higher rate. In addition to the inconsistent treatment of food, this creates compliance headaches for small retailers who do not have systems which can separate out the higher-taxed food from the lower-taxed items.

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(n) "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" does not include alcoholic beverages, bottled water, candy, dietary supplements, food sold through vending machines, soft drinks or tobacco.

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~~(III) (1) "Candy" means a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces.~~

~~(2) "Candy" does not include any preparation containing flour and shall require no refrigeration."~~

As for the purpose of the bill itself, we support tax relief for citizens of our state, including this proposal. That said, we believe the better approach toward a path of economic growth would be to lower the overall sales tax rate so Kansans save on all purchases, not just food. Whether consumers are buying food, cars, televisions, or school supplies, a reduction in the sales tax rate would have a positive impact, especially in the current times where inflation is at the highest level in decades. Kansas has the 8th highest combined state/local sales tax burden in the country, so any relief here is positive.

As the Legislature considers a variety of options for tax relief, we reiterate that you consider what concepts would result in stronger economic growth for the state. It's important to remember that

Kansas offers a food sales tax credit of \$125 for every exemption claimed on the taxpayer's federal return for qualifying families, so efforts have been made in state policy to reduce the food sales tax burden for Kansans. Perhaps we build on that program while focusing on lowering the overall tax rate.

We appreciate the opportunity to submit testimony as a neutral party on House Bill 2711, and I am happy to answer any questions at the appropriate time.