

SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2711

As Amended by House Committee on Taxation

Brief*

HB 2711, as amended, would make changes to law related to sales and compensating use tax, food sales tax, and the food sales tax credit.

Sales Tax Rate

Beginning July 1, 2022, the bill would reduce the state sales and compensating use tax rate from 6.5 percent to 6.3 percent.

Food Sales Tax Rate

Beginning July 1, 2022, the bill would reduce the state sales and compensating use tax rate on food and food ingredients from 6.5 percent to 3.5 percent.

Beginning July 1, 2023, the Director of Legislative Research would be required to annually certify to the Director of the Budget and the Secretary of Revenue if the balance of the Budget Stabilization Fund exceeds \$100.0 million. The Secretary of Revenue would be directed to reduce the sales and compensating use tax rate on food and food ingredients by 1.2 percent each year the Budget Stabilization Fund balance exceeds \$100.0 million until the rate reaches 0.0 percent.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Food and food ingredients would be defined to include bottled water, candy, dietary supplements, soft drinks, and food sold through vending machines and to exclude alcoholic beverages, tobacco, and most prepared foods.

Local Sales Tax on Food

The bill would provide that sales of food and food ingredients would be subject to sales taxes imposed by cities and counties and that all sales subject to sales taxes imposed by cities and counties would be subject to sales taxes imposed by Washburn University.

Distribution of Sales Tax Revenue

The bill would change the percentage of sales tax revenue distribution to provide the State Highway Fund with 18.0 percent of sales and use tax receipts beginning July 1, 2022.

Food Sales Tax Credit

The bill would provide for, beginning in tax year 2023, the food sales tax credit to be a refundable tax credit and would provide that the credit would sunset if the food sales tax rate reaches 0.0 percent.

Background

The bill was introduced by the House Committee on Taxation at the request of Representative Adam Smith.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Action for

Children, Kansas Council of Chapters of Military Officers Association of America, Kansas Food and Farm Coalition, and KC Healthy Kids. Proponents generally stated the bill would reduce the food sales tax and general sales tax burden on taxpayers without imperiling the provisions of government services. Written-only proponent testimony was provided by representatives of the Association of Kansas Food Banks, El Centro, Greater Kansas City Chamber of Commerce, Overland Park Chamber of Commerce, and United Community Services of Johnson County.

Written-only opponent testimony was provided by representatives of the Kansas Department of Transportation, Kansas Farm Bureau, and Kansas Restaurant and Hospitality Association.

Neutral testimony was provided by representatives of the Kansas Appleseed Center for Law and Justice, Kansas Contractors Association, and Economic Lifelines. Written-only neutral testimony was provided by representatives of the American Council of Engineering Companies of Kansas, Fuel True Independent Energy and Convenience, Kansas Beverage Association, Kansas Chamber of Commerce, Kansas Policy Institute, Kansas Society of Professional Engineers, and League of Kansas Municipalities, and a private citizen.

The House Committee amended the bill to include certain items in the definition of food and food ingredients and to change the State Highway Fund distribution percentage.

Fiscal Information

According to the Department of Revenue, the amended bill is estimated to have the following fiscal effect. These estimated fiscal effects include an assumption that the Budget Stabilization Fund balance will exceed \$100.0 million in all relevant years.

	(Dollars in millions)				
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Sales Tax and Food Sales Tax	\$ (342.2)	\$ (406.8)	\$ (493.2)	\$ (580.3)	\$ (636.7)
Food Sales Tax Credit (Income Tax)	-	(39.3)	(39.7)	(40.1)	10.3
<i>Subtotal State General Fund</i>	<u>\$ (342.2)</u>	<u>\$ (446.1)</u>	<u>\$ (532.9)</u>	<u>\$ (620.4)</u>	<u>\$ (626.4)</u>
Sales Tax and Food Sales Tax	\$ 19.4	\$ 8.3	\$ (7.4)	\$ (23.0)	\$ (31.7)
<i>Subtotal State Highway Fund</i>	<u>\$ 19.4</u>	<u>\$ 8.3</u>	<u>\$ (7.4)</u>	<u>\$ (23.0)</u>	<u>\$ (31.7)</u>
Total All Funds	<u><u>\$ (322.8)</u></u>	<u><u>\$ (437.8)</u></u>	<u><u>\$ (540.3)</u></u>	<u><u>\$ (643.4)</u></u>	<u><u>\$ (658.1)</u></u>

Taxation; sales tax; food sales tax; tax rates; food sales tax credit