

To: House Committee on Taxation
From: Spencer Duncan, Government Affairs Director
Date: March 13, 2023
RE: SB 248 – Sales Tax Exemptions on Food & Food Ingredients
Opponent – Verbal Testimony

Thank you to the Chair and Committee for the opportunity to provide this testimony.

SB 248, as amended by the Senate Committee of the Whole, has multiple layers that negatively impact municipalities while overriding voter approved initiatives. The League of Kansas Municipalities has no position on if the statewide sales tax rate on groceries and food ingredients is done earlier than currently scheduled. However, The League opposes SB 248 because of its removal of the local sales tax levies on these items. We ask you to Vote No on SB 248 or amend it to make municipal sales tax levies whole.

As reported by Legislative Research in a presentation to the Senate Assessment and Taxation Committee, **the state estimates the cost to local governments to be a minimum of \$180 million.** This has an enormous negative fiscal impact on every city and one which no city has planned for. Just one year ago, this Legislature made an agreement with cities to leave whole local levies on groceries and food ingredients. Just three months into this deal, there is no reason to make a change. Cities have already made long-term budget plans based on this promise from the Legislature.

UNDERMINES VOTER DIRECTIVES

Retail sales taxes in a city are approved by voters. K.S.A. 12-187 clearly outlines this process. For general sales tax authority, an election requirement has been part of state law since 1978. Voters in Kansas' cities have determined, at the ballot box, that they prefer these taxes to pay for basic services, police and fire departments and infrastructure. They have done this understanding this eases the property tax burden. Voters in many communities also understand that visitors to their communities and tourists make up a percentage of those paying these levies on food and food ingredients, and this bill takes away tourist revenue.

SB 248 undermines the direction of the voters and invalidates their votes.

HARMS ESSENTIAL TARGETED LEVIES

Many communities have voted on special sales-tax levies to directly improve their community. These targeted tax votes fund projects essential to cities: parks, event centers, road improvements, athletic facilities, economic development funds, zoos, police and fire funds, schools, community centers, pools, hospitals and more.

Removal of the local sales tax levy on groceries, food and food ingredients has a negative fiscal impact on these targeted, voter approved projects. In many cases, loss of this revenue puts them in jeopardy of defaulting on loans and bonds, or at least makes it more difficult for them to pay for basic improvements and operations. SB 248 does nothing to address the loss of revenue and impact on these projects.

NO CONSIDERATION OF ECONOMIC DISTRICTS

There are several types of incentive districts cities use to spur economic development and retain and attract businesses. These include CID Sales Tax projects, Tax Increment Financing (TIF) areas and STAR Bond projects. All of these are harmed by SB 248, with no provisions outlined in the bill to account for losses incurred by these districts, which were put in place with local approval.

We ask you to Vote NO on SB 248 or amend the bill to make whole local sales-tax levies.

Thank you for your time and consideration of these issues. I am always available to provide additional information and answer any questions you have.



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