



## INDEPENDENT ENERGY & CONVENIENCE

February 20, 2023

Senate Bill 248

Oral Opposition Testimony for Kevin Gregg

On behalf of Kevin Gregg and Fuel True Independent Energy and Convenience

Madame Chair and members of the Senate Tax Committee:

My name is Kevin Gregg and I represent Fuel True Independent Energy and Convenience. Our association was formerly known as the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas). We are a statewide trade association representing over 300 independent Kansas Energy distribution companies and convenience store retailers throughout Kansas.

I come before you today in opposition to SB 248 which would repeal Kansas sales tax on a select group of healthy foods sold by our retailers. It's difficult to come before you and argue against making the purchase of healthy foods more appealing, so I'll explain. As you know in our scan, swipe, and run society, the job of a convenience store clerk has been made easier with barcode scanning. Each item has a unique universal product code (UPC), which has been programmed behind the scenes with a description and price that assists us with accounting, inventory management, ordering and so on. The total cost of purchases is assessed a pre-determined sales tax that applies to every product.

By carving out a list of "healthy foods", retailers would be required to sort through their lists of inventory, identify which products are on the list of "healthy foods" and reprogram their point of sale systems not to charge tax on this select group. It may sound fairly simple, but even when all food sales taxes were reduced on January 1 of this year, the largest retailer in the world, Walmart, couldn't get it right.

Our convenience stores have complied with the reduction that went into effect January 1 and appreciate the ample time they were given to make the changes in our POS systems. That reduction was simpler as it was an across-the-board reduction.

In addition to the high cost of compliance, we feel the removal of taxes on this select group will be confusing to customers. Our clerks will have to explain which items are taxed, which are not and why. And if milk is a healthy food, what about chocolate milk? This is just one example we anticipate facing.

Finally, when a customer puts a \$2 "healthy" item on the counter, they will expect to pay a flat \$2. In many instances, we will be the bad guy who has to explain to them that the State removed their taxes on this item, but the municipality/county/city assessments remain so we still need to collect another penny or two. It may not seem like much but is one more reason we would prefer things stay as is.

In closing, we feel that adding this extra layer of complexity to the sales tax rate is confusing. It will cost our retailers time and money and create compliance issues in an already complicated industry. We would prefer to maintain the current food sales tax reduction enacted at the beginning of 2023.

Thank you.