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November 14, 2019

The Governor's Council on Tax Reform
Chairperson Janis Lee and Steve Morris

Dear Chairpersons Lee and Morris and members of The Governor's Council on Tax Reform,

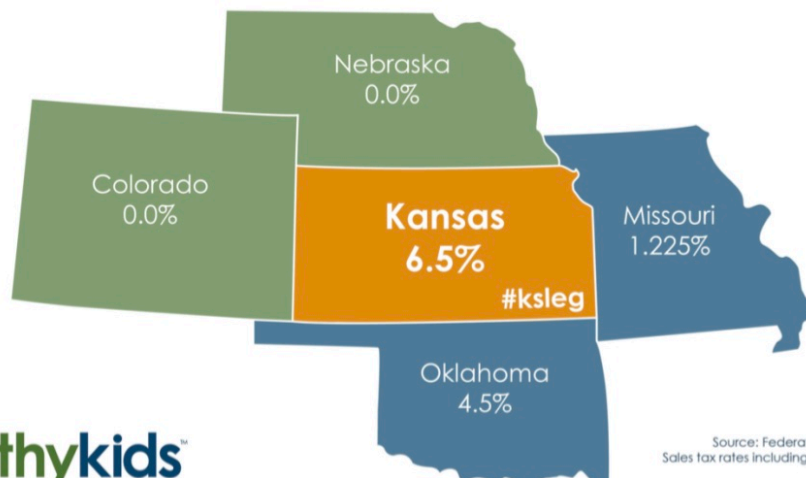
KC Healthy Kids is a regional non-profit agency serving Kansas and Missouri. We rally people in our communities to improve access to affordable fresh food and safe places to walk and play.

KC Healthy Kids is deeply concerned about harm caused to Kansans by the high state sales tax on food. Over the last several years, we have conducted numerous surveys and research around sales tax on food in Kansas. The research has consistently shown our high sales tax rate harms the Kansas economy, businesses and families.

Of the 14 states in the nation that charge sales tax on food, seven charge the full rate, including Kansas at 6.5% . In addition to paying the state sales tax rate of 6.5% when buying food, Kansans must also pay additional city/county taxes, bringing the total to 11% in some areas.

Kansas' state sales tax on food puts an unfair burden on low income families, hurts rural grocers and their employees, and drives shoppers across state lines to buy food. KC Healthy Kids has commissioned the Kansas Public Finance Center at Wichita State University to publish a series of reports examining these three ways sales tax on food impacts Kansans. Here are some highlights from the studies (which can be viewed in full at our website, www.kchealthykids.org/3-part-series-kansas-damaging-grocery-tax/):

SALES TAX RATES ON FOOD



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Source: Federation of Tax Administrators.
Sales tax rates including food & drug exemptions

Unfair burden

Food is not a luxury item. Our states high sales tax rate on food puts an unfair burden on the poor and those in rural areas. A household in the lowest income group pays anywhere from 2.7% to 8.4% more of their income in taxes on groceries than does a household in the highest income level.

Impact on Rural Grocery Stores

Sales tax on food costs the average rural Kansas grocer close to \$18,000 per year by reducing grocery sales and forces customers to purchase lower-quality, less expensive items. Since rural counties typically aren't able to offer a variety of retail establishments, their consumers are more likely to leave the area to buy their goods in counties or states with more retail options and lower taxes/prices.

Border Impact

Research found the current sales tax drives shoppers across state and county lines to save money on food. The result is slowed sales growth in counties on the state line, and cannibalization of income among Kansas counties.

Of the state's 105 counties, 40 share at least one border with neighboring states. Colorado and Nebraska exempt all food sales from taxation, and Missouri's state food sales taxes are only 1.225%. Oklahoma, like Kansas, does not exempt food sales taxes, but has a lower state sales tax of 4.5%.

Economic Impact

The final study examined the likely economic impact of reducing the food sales tax in Kansas. It found that exempting groceries from the retail sales tax base and increasing income taxes would :

- create moderately large increases in employment and economic activity, and
- create a *nearly neutral result* in terms of gross economic effects.

Reducing the sales tax on food would help Kansas grocers and put dollars back into the pockets of Kansans who need it most.

Your leadership is needed to make that happen. We urge the council to highlight the negative impacts of the state sales tax on food in your interim report, and to recommend in your final report that the state reduce its food sales tax a level competitive with its neighboring states.

Respectfully,



Beth Low-Smith

VP Policy