

Approved: 2-4-98
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:07 a.m. on February 3, 1998, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Lee, Senator Bond, Senator Donovan, Senator Goodwin, Senator Hardenburger, Senator Karr, Senator Praeger, Senator Steffes and Senator Steineger.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Senator Anthony Hensley
Wayne Maichel, AFL-CIO
Jack Mitchell, Kansas Automatic Merchandising Association
Bob Corkins, Kansas Chamber of Commerce and Industry
Ron Hein, Kansas Restaurant and Hospitality Association

Others attending: See attached list

The minutes of the January 28, January 29, and February 2 meetings were approved.

SB 415--Sales taxation; concerning the rate imposed upon sales of food for human consumption.

Senator Anthony Hensley testified in support of **SB 415** which, if enacted, would reduce the sales tax on food by 1.5% next year and would save taxpayers \$58 million on the purchase of food in the first year. He called attention to copies of related data and to copies of newspaper articles supporting a reduced sales tax on sales of food as a means to help the working poor and to make Kansas equal with neighboring states who have eliminated or reduced their sales tax on food. (Attachment 1)

Wayne Maichel, AFL-CIO, testified in support of **SB 415** as a beginning of a process to completely remove sales tax on food. He noted that many states have lowered or eliminated sales tax on food. (Attachment 2) In conclusion, Mr. Maichel quoted from a portion of the Governor's State of the State message in which the Governor expressed support of a reduction of the sales tax on food for low income families.

Jack Mitchell, Kansas Automatic Merchandising Association, testified in support of **SB 415** with an amendment to subparagraph (2) of paragraph (u) to include food sold through vending machines. Mr. Mitchell felt the exclusion of food sold through vending machines was illogical, unfair, and discriminatory toward the Kansas vending industry plus students and working people. (Attachment 3)

Senator Langworthy called attention to written testimony submitted by Donald Snodgrass, Kansas Food Dealers Association, in which a neutral position on **SB 415** was taken. (Attachment 4)

Bob Corkins, Kansas Chamber of Commerce and Industry, testified in opposition to **SB 415**. His primary concern was with the administrative cost of implementing and complying with a different state sales tax on food. Retailers who do not utilize scanning devices would be impacted the most. He also believed that the sales tax audits which would follow would be a persistent spawning ground for tax appeals, penalties, and litigation. (Attachment 5)

Ron Hein, Kansas Restaurant and Hospitality Association, followed with further testimony in opposition to **SB 415**. He contended that the bill would set a state policy that discriminates against business that prepare and serve food and against individuals who eat at restaurants or other food service establishments. He

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 3, 1998.

believed that the bill should include all food purchases in order to achieve some social or economic justice.
(Attachment 6)

With this, the hearing on **SB 415** was closed.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 4, 1998.

**SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST**

DATE: February 3, 1998

NAME	REPRESENTING
William Bradford	DRINK-O-MAT Co., Inc.
Michael C. Maddock	Superior OFFICE SNACKS INC.
Doyle Pepper	Drink-O-Mat Co. Inc.
Lawrence F. Buccero	VENDALL INC.
LEE SCHMIDT	LEE SCHMIDT UENO INC
Ron Hein	KS Restaurant & Hospitality Ass'n
Bob Corkins	KCCI
BUD GRANT	KCCI
Harriet Lange	KAB
DON SNODGRASS	KS FOOD DEALERS ASSOCIATION
Charles Stottle	Farmer
Dennis Lippman	Martin F B
Ruth Loggins	Worton Co. Sales Bureau
Gary Beth Moore	Copeland, Ks Ks Co. FB
Ronald Schieve	Preston, Ks PP Co F.B.
Larry Kleman	League of KS Municipalities
Ashley Shevard	Overland Park Chamber
Butch Hains	F.B. Jackson Co.
Dore Boling-Harris	F.B. " "

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: 2-3-98

NAME	REPRESENTING
Allen W. Keeler	Girl Scout Councils
Edward Smith	WIBA
Robert J. Keller	KFB
Leonard Lindholm	F&B
Leis Lindholm	KFB
Clare Magallon	K.F.B.
Bridget Morris	TFKC
Ruth Ryan	KFB
Ed Eberth	KFB
Charles E. Becker	KFB
Mary Kay Becker	KFB
Gerald Dwyer	KFB
Bernie Faust	KFB
Cathy Nunley	Douglas Co. Farm Bureau
Ann R. Dwyer	KFB
Greg Tegman	DOB
Steve Montgomery	CAS Construction
J.B.	KAMA
Jack Mitchell	KAMA

Senate Bill 415 - Reducing the sales tax on food by 1.5%

February 3, 1998

Anthony Hensley, Senate Democratic Leader

Senator Langworthy and committee members: I testify today in support of Senate Bill 415, a bill which would reduce the sales tax on food by 1.5% this next year.

As leader of the Senate Democrats, I am grateful to you, Senator Langworthy, for granting us a hearing on this bill. We believe it is in the best interest of all Kansans to pass this legislation.

Senate Democrats believe that in a year when our state's treasury has nearly \$240 million in surplus money, personal income has increased 40% since 1990 and now stands at \$62.5 billion, we should not be using tax cuts to reward the wealthy at the expense of Kansans who need tax relief the most.

Truly baffling about the tax bill that was approved by this committee, Senate Bill 500, is that it will give tax relief to those who inherit large estates at the expense of working families and Kansans living on fixed incomes. \$23 million the first year and \$55 million the second year will go to inheritance tax cuts - much of which will go to wealthy people and 40% of which will go to people who don't even live in Kansas.

We can reduce inheritance taxes in a more reasonable, measured way while at the same time reduce the sales tax on food.

If enacted, Senate Bill 415 would save taxpayers \$58 million on the purchase of food in the first year. If we enact Senate Bill 415 we take the first step toward eventually eliminating the sales tax on food - a regressive tax that hits hardest on those Kansans who can least afford to pay it.

Another reason why we should enact Senate Bill 415 is because the current Food Sales Tax Rebate program is not working (see attachment to testimony).

Finally, we should enact Senate Bill 415 because three of four neighboring states have eliminated or significantly reduced their sales tax on food. It is time Kansas caught up with its neighbors (see attachment to testimony). *Food Sales Tax Facts*

*Senate Assessment + Taxation
2-3-98
Attachment 1*

Kansas Food Sales Tax Refund Program

Total Kansas households	939,828
Households eligible for Food Sales Tax Rebate	206,589
Applications for Food Sales Tax Rebate	36,012*
Amount of money rebated	\$1,588,472 (FY 97)
Average rebate per household	\$44

*3.8% of all households, 17.4% of eligible households

Source: Kansas Department of Revenue (based on 1990 census data)

1997
KANSAS HOMESTEAD AND
FOOD SALES TAX CLAIM

FILE THIS CLAIM AFTER DECEMBER 31, 1997, BUT NO LATER THAN APRIL 15, 1998

Social Security number
of claimant

First four letters of
claimant's last name

Please use UPPER
CASE letters

First name and Initial of claimant

Last Name

IMPORTANT
Check this box
if name or
address has
changed

Telephone number of claimant

Home address (number and street or rural route)

Check this box if claimant is deceased (see
instructions) Date of Death ___/___/___

City

State

Zip Code

County Abbr

Check this box if this is an amended claim

YOU MUST HAVE BEEN A RESIDENT OF KANSAS THE ENTIRE YEAR OF 1997

ANSWER ONLY THE QUESTION THAT APPLIES TO YOU:

Month Day Year

- 1. Age 55 or over for the entire year. Enter date of birth. (Must be prior to 1942).....
- 2. Disabled or blind for the entire year. Enter date of disability. (See instructions on page 15) ATTACH Social Security Statement or Schedule DIS
- 3. Youngest dependent child who, both resided with you and was under 18 years of age for the entire year. Child's name _____ Enter date of birth. (Must be prior to 1997)

ENTER YEARLY TOTALS ONLY. SEE INSTRUCTIONS BEGINNING ON PAGE 16

- 4. 1997 Wages _____ & 1996 Earned Income Credit _____, Enter Total (A) , . 00
- 5. All taxable income other than wages and pensions. (Do not include net operating losses and capital losses)..... (B) , . 00
- 6. Social Security, SSI, SSDI, and railroad retirement (add back medicare deductions)..... (C) , . 00
- 7. All pensions, annuities, and veterans benefits..... (D) , . 00
- 8. TAF payments, general assistance, worker's compensation, disability, grants and scholarships (E) , . 00
- 9. All other income. (Also include income of others who resided with you in 1997)..... (F) , . 00
- 10. TOTAL HOUSEHOLD INCOME (Total of lines 4 through 9)..... (G) , . 00

HOMESTEAD REFUND (If line 10 is more than \$25,000, you do not qualify for a refund.)

- 11. OWNER - 1997 general property taxes. (See instructions, page 17)..ATTACH 1997 PROPERTY TAX STATEMENT (H) , . 00
- 12. RENTER - Enter total of line 5 amounts from RNT Schedule(s).....ATTACH RNT SCHEDULE(S) (I) , . 00
- 13. Total of lines 11 and 12 Do not enter more than \$600..... (J) . 00
- 14. Using your total household income on line 10 and the chart on page 6, enter your refund percentage..... %
- 15. Homestead refund (Multiply line 13 by percentage on line 14) Enter here and on line 18, page 2..... (K) . 00

PLEASE COMPLETE REVERSE SIDE OF THIS CLAIM



FOR CLERK
USE ONLY

1-3

OPTIONAL: Providing this information may speed up the processing of your claim (This income should not be included on line 10, page 1)
 Enter, in the spaces provided, the annual amount of all other income not included as household income on page 1 line 10.

Food Stamps	\$ _____	Personal and Student Loans	\$ _____	Settlements (lump sum)	\$ _____
Child Support	\$ _____	Nongovernmental Gifts	\$ _____	Social Security for dependent(s)	\$ _____

Other (indicate source and amount) \$ _____

(See instructions on page 17)

I, _____ resided at _____ during 1997 and have paid or will pay 100% of the taxes. There are no delinquent taxes due. (property address description)

If the property listed above was owned by someone other than you or you and your spouse, did that person reside with you in 1997, and/or pay part of the taxes? Yes No Explain:

What, if any, portion of the homestead property was rented or used for business in 1997? _____%
 (See instructions on page 17)

Complete the information below for ALL persons (including yourself) who resided in your household at any time during 1997. Indicate the number of months they lived with you and whether their income is included on lines 4 through 9 of form K-40H. (Use the Form on page 21 for additional lines.)

Name	Date of Birth	Relationship	Number of Months resided in household	Income included on lines 4-9, Yes/No	Social Security Number
Claimant:	/ /				
	/ /				
	/ /				
	/ /				
	/ /				
	/ /				

FOOD SALES TAX REFUND (If line 10 is more than \$13,000, do not complete lines 16 and 17)

- 16. Total number of household members who lived with you the entire year of 1997. Do not include a child born in 1997 (L)
- 17. Food sales tax refund (Determine refund from chart on page 6 using figures from lines 10 and 16) (M) . 00
- 18. Homestead refund (Line 15 from page 1) 00
- 19. TOTAL HOMESTEAD AND FOOD SALES TAX REFUND (Add lines 17 and 18) (N) , . 00

I declare under the penalties of perjury that to the best of my knowledge and belief, this is a true, correct and complete claim.

_____ Claimant's Signature	_____ Date
_____ Signature of Preparer other than Claimant	<div style="border: 1px solid black; padding: 5px;"> Please allow 10 to 12 weeks processing time for your refund. If you are a renter, you should allow an additional 6 to 8 weeks so your rent can be verified with your landlord. </div>

Mail this claim and all supporting documents to:
 Kansas Homestead/Food Sales Tax,
 Kansas Department of Revenue, 915 SW Harrison St.,
 Topeka, KS 66699-2000

HOMESTEAD REFUND PERCENTAGE TABLE — Line 14

Use the table below to determine the refund percentage to enter on line 14 of Form K-40H.

If the amount on line 10, Form K-40H is between:	Enter this percentage on line 14, Form K-40:
\$ 0 and \$ 3,000	100%
\$ 3,001 and \$ 4,000	88%
\$ 4,001 and \$ 5,000	84%
\$ 5,001 and \$ 6,000	80%
\$ 6,001 and \$ 7,000	76%
\$ 7,001 and \$ 8,000	72%
\$ 8,001 and \$ 9,000	68%
\$ 9,001 and \$10,000	64%
\$10,001 and \$11,000	60%
\$11,001 and \$12,000	56%
\$12,001 and \$13,000	52%
\$13,001 and \$14,000	48%
\$14,001 and \$15,000	44%
\$15,001 and \$16,000	40%
\$16,001 and \$17,000	36%
\$17,001 and \$18,000	32%
\$18,001 and \$19,000	28%
\$19,001 and \$20,000	24%
\$20,001 and \$21,000	20%
\$21,001 and \$22,000	16%
\$22,001 and \$23,000	12%
\$23,001 and \$24,000	8%
\$24,001 and \$25,000	4%
\$25,001 and over	0%

FOOD SALES TAX REFUND TABLE — Line 17

If line 10 is more than \$13,000, you do not qualify for this refund.

Using the amounts from lines 10 and 16, Form K-40H, find your food sales tax refund amount on the table below. Enter on line 17, back of Form K-40H. See also instructions on page 19.

Total Household Income (line 10)	Total Number of Household Members (line 16, back of Form K-40H)						
	1	2	3	4	5	6	For each additional member add:
\$ 0 - 4,999	\$40	\$70	\$100	\$130	\$160	\$190	\$30
\$ 5,000 - 9,999	30	55	80	105	130	155	25
\$10,000 - 13,000	20	35	50	65	80	95	15

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Food Sales Tax Facts

5 states do not collect sales tax

25 states and D.C. fully exempt sales tax on food

Louisiana will fully exempt sales tax on food by 7/1/98

Georgia will fully exempt sales tax on food by 10/1/98

Illinois sales tax rate is 6.25%, but only 1% on food

Missouri sales tax rate is 4.225%, but only 1.225% on food

16 states collect full sales tax rate on food

Surrounding states:

Arkansas Repeal of 4.625% sales tax on food will be placed on
November of 1998 ballot by initiative

Colorado No sales tax on food (3% sales tax rate)

Iowa No sales tax on food (5% sales tax rate)

Missouri Reduced sales tax on food by 3% effective 10/1/97
(sales tax on food is now 1.225%)

Nebraska No sales tax on food (5% sales tax rate)

Oklahoma Bill to repeal 4.5% sales tax on food passed the House
last year

Source: Kansas Legislative Research Department

State	Sales and Use Tax Rate (%)	Groceries	Prescription Medications	Number of Services Subject to Sales Tax
Alabama	4	taxable	exempt	32
Alaska	0	n/a	n/a	1
Arizona	5	exempt	exempt	60
Arkansas	4.625	taxable	exempt	52
California	6	exempt	exempt	19
Colorado	3	exempt	exempt	15
Connecticut	6	exempt	exempt	84
Delaware*	0	n/a	n/a	141
District of Columbia	5.75	exempt	exempt	63
Florida	6	exempt	exempt	65
Georgia	4	fully exempt 10/1/98	exempt	35
Hawaii	4	taxable	exempt	155
Idaho	5	taxable	exempt	29
Illinois	6.25	1% tax	1% tax	16
Indiana	5	exempt	exempt	24
Iowa	5	exempt	exempt	95
Kansas	4.9	taxable	exempt	76
Kentucky	6	exempt	exempt	26
Louisiana	4	will be exempt 7/1/98	exempt	53
Maine	6	exempt	exempt	27
Maryland	5	exempt	exempt	36
Massachusetts	5	exempt	exempt	20
Michigan	6	exempt	exempt	26
Minnesota	6.5	exempt	exempt	61
Mississippi	7	taxable	exempt	69
Missouri	4.225	taxable	exempt	28
Montana	0	n/a	n/a	19
Nebraska	5	exempt	exempt	48
Nevada	6.5	exempt	exempt	11
New Hampshire	0	n/a	n/a	11
New Jersey	6	exempt	exempt	45
New Mexico	5	taxable	taxable	155
New York	4	exempt	exempt	74
North Carolina	4	taxable	exempt	29
North Dakota	5	exempt	exempt	21
Ohio	5	exempt	exempt	42
Oklahoma	4.5	taxable	exempt	31
Oregon	0	n/a	n/a	0
Pennsylvania	6	exempt	exempt	61
Rhode Island	7	exempt	exempt	28
South Carolina	5	taxable	exempt	32
South Dakota	4	taxable	exempt	130
Tennessee	6	taxable	exempt	70
Texas	6.25	exempt	exempt	79
Utah	4.75	taxable	exempt	49
Vermont	4	exempt	exempt	23
Virginia	3.5	taxable	exempt	18
Washington	6.5	exempt	exempt	152
West Virginia	6	taxable	exempt	110
Wisconsin	5	exempt	exempt	69
Wyoming	4	taxable	exempt	64

* Delaware imposes a manufacturers license tax instead of a general sales tax, resulting in a large number of taxable services.

Source: Commerce Clearing House, 1997 and Federation of Tax Administrators, 1994

Contact for More Information

Mandy Rafool
 NCSL—Denver
 (303) 830-2200
 mandy.rafool@ncsl.org



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Working class deserve biggest tax break

Tues
11-18-97

Cutting sales tax on groceries good start

The Salina Journal
For Harris News Service

Like a roomful of covetous relatives at the reading of the rich uncle's will, various classes of Kansans will be watching the next session of the Kansas Legislature, hoping for a gift in the form of some kind of tax cut.

If there is any justice, the bequests will be generous to the family's faithful servants the off-forgotten people who do most of the work.

With a strong economy feeding the state's income and sales tax coffers, there is every reason for people to expect, and politicians to grant, tax cuts for the fourth year in a row.

At the top of the list this year should be something that benefits the working people of Kansas, starting by

removing the sales tax on groceries.

Tax cuts in recent years have helped homeowners and business owners. They have made huge cuts in the justly hated property tax that funds public schools, reductions balanced by increases in sales and income tax revenue so that spending did not have to be cut.

All fine. But it is time to aim the cuts a little more specifically at those who occupy homes and work in businesses, not just those who own them.

There are many ideas for doing just that. They include a Kansas version of the federal earned income tax credit to cut income taxes for working families, or boosting the value of personal and child income tax exemptions.

If we can do all that, and still keep the total value of tax cuts in the frugal \$100 million range proposed by Gov. Bill Graves, that would be wonderful.

But the best thing we could do for the people who do the hard work of our economy without reaping the big benefits would be for the state to stop taking a bite out of their children's food.

The poorer you are, the more a sales tax on the necessities of life hurts your family. People who have to spend every dime of their income on the basics, food and clothing, pay a sales tax on a huge portion of their income, unlike those who can avoid sales taxes by saving their money.

Many states exempt groceries from their sales tax. Usually, though, it means there is a higher sales tax rate on everything else.

It now appears that we can afford to grant this much-needed exemption for those who are working the hardest to raise their families.

It should be the first tax cut lawmakers approve in 1998.

Date: Mon 10-27-97

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| <input type="checkbox"/> Kansas City Star | <input type="checkbox"/> Johnson County Sun | <input type="checkbox"/> Parsons Sun |
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● Editorials

Tax relief for ordinary Kansans

Eliminating the sale tax on food is the only way that every resident could benefit from a tax cut

When the Kansas Legislature begins its next session in January, lawmakers will be all agog about what to do with the excess revenue the state has collected, now put at about \$200 million.

That's easy. Legislators should give their constituents the gift that keeps on giving, a reduction, if not outright elimination, of the state's 4.9 percent sales tax on food.

By coincidence, the \$200 million would replace all of the revenue collected through the sales tax on food, with \$14 million left over for good measure.

Eliminating the state's food sales tax is perhaps the one and only way that every single resident could benefit from a tax cut.

It would particularly benefit those in the lower income ranges, people who seldom benefit from "tax relief."

Gov. Bill Graves has presided over quite a bit of tax cutting and he will be pushed to preside over more, but he hasn't got an awful lot of credit, probably because of the nature of the tax cuts themselves.

In his 1996 State of the State, he detailed some of the tax cuts.

There was the repeal of the sales tax on labor used in new construction. The average Kansan certainly didn't notice that, but coupled with the repeal of sales tax on utilities consumed in production, the total tax cut was \$165 million.

Then the Legislature reduced personal property taxes on motor vehicles by 53 percent over five years. Some Kansans are beginning to notice that, but those on the very bottom of the scale, those driving the oldest cars, actually had their personal property taxes doubled, from \$12 to \$24.

Kansas businesses saved considerable money with a moratorium on unemployment taxes, but the average Kansan didn't feel any impact from that, either.

So, the special interests have had tax relief, but how about ordinary Kansans?

This year the legislature reduced the uniform school finance levy from 35 to 27 mills for the 1997-98 school year and allowed a \$20,000 homestead exemption on residential property. Total effect? \$108 a year on a \$50,000 home.

And a half million single Kansans are getting their taxes equalized with married couples over a four-year period. That can hardly be characterized as tax relief.

Generally, there has been a lot of tax cutting but there has not been a lot of noticing that our taxes have been reduced.

The reason is that most Kansans have not seen any appreciable tax reduction and certainly none that will be lasting.

Ending the sales tax on food would help more average Kansans than anything else the governor and the Legislature could do.

— editorial by Jim Hitch
hitch@dailynews.net

Date: _____

Thurs. 1-22-98

- | | | |
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| | | <input type="checkbox"/> Winfield Daily Courier |

OUR VIEW

Hungry? A cut in the food sales tax would help every Kansan

Gov. Bill Graves' 1998 tax proposals don't include a cut in the 4.9 percent state sales tax on food. But House and Senate Democrats make a good argument why a lower food tax should be among the goodies on the 1998 Legislature's tax-cut table.

Few other states tax food as highly as Kansas does. This policy choice hits lower-income Kansans especially hard.

Mr. Graves left a food-sales-tax cut out of his package because "I don't need a reduction in the sales tax I pay on food" — his point being that middle- and upper-income Kansans would benefit from a cut in food taxes, too.

Mr. Graves prefers instead to increase the number of Kansas households taking advantage of the state's existing food-sales-tax rebate — which entails filling out a form and sending it in to the Kansas Department of Revenue, the agency that collects state taxes.

The rebate thus far has been a policy flop. Only 36,000 Kansas households out of 206,000 eligible applied for and received it last year. The answer to that problem, says the governor, is better outreach by the Revenue Department.

But it's doubtful that any outreach plan, no matter how thorough, could reach everyone eligible for the rebate.

Besides, there's nothing wrong in giving a break to people who can afford the food tax. The Legislature has been doling out such "unneeded" tax breaks for years.

For example, when the 1995 Legislature and Mr. Graves enacted a five-year 50-percent cut

in the personal property taxes on cars and trucks, the poor benefited. But the rich benefited, too. Same goes for the reductions in the statewide uniform mill levy for public schools in 1996 and 1997. So what?

Eating is unavoidable and — in Kansas — more expensive than it needs to be, especially for the poor.

Kansans pay the highest food taxes in the region. Only Oklahoma's 4.5 percent sales tax on food comes close, and it appears to be on its way out. The Oklahoma House voted last year to repeal it, and the idea will likely

come up again in Oklahoma City this year.

Missouri, meanwhile, last year slashed its food sales tax by 3 percent, to 1.225 percent. Iowa, Nebraska and Colorado don't tax food sales at all.

Kansas Senate Democrats suggest cutting the food tax by 1.5 cents this year, leaving a food sales tax of 3.4 percent; that would cost the state \$64 million. House Democrats would slash the food tax by a point, leaving it at 3.9 percent. That would cost \$46 million.

Cuts of this magnitude could easily be fit into the \$178-million upper limit that the governor wisely has proposed for tax cuts for this year. Legislators, for instance, could trade the House Democrats' plan for the governor's proposal to repeal the state inheritance tax. That would make the governor's overall plan less regressive; every resident of Kansas would benefit from lower food sales taxes.

Eating is unavoidable and — in Kansas — more expensive than it needs to be, especially for the poor. That's why a food sales tax cut should be a prominent part of this year's legislative tax-cut debate.

() Topeka Capital Journal
 () Wichita Eagle
 () Kansas City Star

() Hutchinson News
 () Iola Register
 () Johnson County Sun
 () Kansas City Kansan
 () Lawrence Journal World
 () Manhattan Mercury

() Olathe Daily N
 () Ottawa Herald
 () Parsons Sun
 () Pittsburg Morning Sun
 () Salina Journal
 () USA Today
 () Winfield Daily Courier

A tax easily swallowed in Kansas

**JERRY
HEASTER**

The early word out of Topeka is that the state's sales tax on food is to remain a fixture of Kansas life.

What else is new? A majority of the state's legislators can't be expected to do the right thing unless and until it makes political sense. The problem, as always, is that continuing to tax food isn't likely to threaten any Kansas lawmaker's political career.

While some elected representatives decry the odious practice of government enriching itself from food taxes, such objections must be seen in Kansas as nothing more than lip service. When a pol in Topeka professes to be against taxing food, it's as predictable as a preacher coming out against sin.

What's also predictable is that the economic trade-off will be considered too costly to justify translating lip service into a principled effort to repeal this execrable tax. The trade-off involves a willingness to forgo the estimated \$220 million in revenue generated by taxes on food sales.

This is the paradox of taxing food a little here and a little there. Kansans have become as inured to this burdensome imposition as they have the suffocating heat of summer or the cold winter winds that scour the prairies. It's just another harsh fact of Kansas life to be endured.

These relatively small tax hits add up, however, even if they're not big enough to ignite consumer rebellion. Think of it. Every year Kansans pay nearly a quarter of a billion dollars to the state for the privilege of eating. If this isn't enough to send your outrage glands into overdrive, then you must have a very high threshold for the pain that comes from political abuse.

This threshold apparently is very high in Kansas.

When compared with the vote-getting potential of more politically profitable tax cuts, food tax relief never generates much political appeal. Income tax cuts, property tax cuts and inheritance tax cuts seem to be where the votes to get re-elected are in Kansas.

This unfortunate reality is probably more pronounced in an affluent and politically powerful enclave such as Johnson County, whose delegation would be key to food tax repeal. However, the immorality of taxing food doesn't resonate significantly where incomes are higher and there's often a tendency to buy somewhat more residence than is comfortably affordable. Moreover, as a practical matter, any family in Johnson County on a tight food budget can always cross the nearby state line and buy its groceries in Missouri.

After Missouri lawmakers finally summoned the moral wherewithal to end the state's abhorrent tax on eating, optimists may have thought Kansas legislators would be shamed into following suit.

Forget about it. Missouri had something Kansas apparently lacks. It had enough fervor by committed activists willing to fight tirelessly over many years against Missouri's food tax.

These crusaders thought they were doing righteous work because of their concern about the economic hardship food taxes work on the poor. This debate wouldn't be complete without pointing out the regressive nature of food taxes, but that's only one salient point.

At its essence, taxing eating is

bad policy because it's morally indefensible. Any government that profits from food sales is, by definition, embracing an immoral fiscal policy. The best argument for repealing this tax never changes: It's the right thing to do.

Jerry Heaster's column appears Wednesday, Friday, Saturday and Sunday. To share a comment, call (816) 889-7827 and enter 2301. Send e-mail, including a telephone number, to jheaster@kstar.com.

Date: _____

Sun 2-1-98

() Topeka Capital Journal
() Wichita Eagle

() Hutchinson News
() Topeka Register

() Olathe Daily News
() Ottawa Herald

GOP hammers out state party platform

■ Party considers, tables resolution urging president's impeachment.

By Colleen McCain

The Wichita Eagle

TOPEKA — A day of celebrations for Kansas Republicans was punctuated by discussion of a resolution urging the Kansas congressional delegation to begin proceedings to impeach President Clinton.

The Republican state committee considered the resolution, which was endorsed by the 2nd District Republican Committee, and decided to refer it to the state executive committee before taking action.

"There's a reasoned and deliberative way to consider issues," said David Miller, chairman of the Kansas Republican Party. "We want to be sure we proceed in that manner."

The executive committee is not scheduled to meet for another three months, and Miller said he is unsure whether the resolution will be considered sooner.

But Jud Jones, who proposed the resolution, told committee members that Clinton has proven he "can't govern, and he deserves to be thrown out."

"Now is the time to do this," Jones said.

Members of the state's congressional delegation said the time may come to begin impeachment proceedings, but such action now is premature.

"We don't really know all the facts yet," said Rep. Todd Tiahr, R-Goddard. "Everybody wants something instant, but democracy doesn't work that way."

Rep. Vince Snowbarger, R-Olathe, said he would support impeachment proceedings if clear and compelling evidence were in hand.

Discussion of the impeachment resolution came after state Republicans spent much of the afternoon hammering out a party platform that supports cutting taxes, opposes abortion and supports allowing Kansans to carry concealed weapons.

Gambling was also debated, and a majority of members ultimately voted to support the repeal of the legalization of gambling — through the lottery or any other means — by the state of Kansas.

The committee meeting was only one of many Republican events held this weekend to celebrate Kansas Day, which was Thursday. District committee meetings, receptions, dinners and the return of Bob and Elizabeth Dole were among the highlights.

At the committee meeting, Douglas Sebelius drew the ire of many fellow committee members when he suggested eliminating the seven platform planks that express opposition to abortion, homosexuality and school health clinics that provide birth control.

Sebelius argued that the planks were divisive and inappropriate for a party's political platform.

But many argued that Republicans' moral beliefs helped define the party.

"We need to continue to have a moral plank," said Jim Mullins of Lawrence. "The Democratic Party is basically amoral."

Sebelius' proposal was defeated, 94-17, and the planks addressing morality remained in the platform.

Other platform issues included:

■ Support for allowing parents to home-school their children.

■ Support for voluntary prayer in schools.

■ Support for allowing prosecutors greater latitude to try juveniles as adults.

■ Support for eliminating the Kansas sales tax on food and the inheritance tax.

■ Support for legislation recognizing English as the official language of Kansas.

At the state committee meeting, an amendment supporting a boycott of the Disney Co. drew a strong response from both sides before narrowly being defeated.

In addition to doing party business, Republicans celebrated the party's recent successes and welcomed home the Doles.

Ten minutes before the Doles' reception was scheduled to begin, a line of people already snaked all the way across the courtyard of Topeka's Ramada Inn, as several hundred people waited for their chance to greet Bob and Elizabeth Dole.

Several people wore "Elizabeth Dole 2000" buttons, and Rep. Susan Wagle, R-Wichita, told Elizabeth Dole: "We want you to run for president."

"You're very kind," said Elizabeth

Dole, president of the American Red Cross.

Most people greeted the Doles as if they were old friends, with many telling of times they met Bob Dole at the Kansas State Fair, years ago.

The weekend's events also provided a chance for Republicans to do

a bit of campaigning in preparation for the year's elections.

Gov. Bill Graves and State Board of Education member Steve Abrams, who also plans to seek the Republican nomination for governor, both spoke to members of the 4th District Committee.

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**TESTIMONY PRESENTED TO
SENATE ASSESSMENT & TAXATION COMMITTEE
ON S.B. 415**

**By: Wayne Maichel, Executive Vice President
Kansas AFL-CIO**

Madam Chair, Members of the committee, we thank you for the opportunity to appear before your committee in support of S.B. 415.

Although the Kansas AFL-CIO supports the complete removal of sales tax on food, we also support S.B. 415 which begins that process.

Kansas is not the only state that has budget surpluses. More than 40 states are recommending the lowering of state taxes. Many of those states have chosen the route of lowering or eliminating sales tax on food. Nebraska and Colorado have no sales tax on food. Missouri, effective October 1, 1997, reduced their tax by 3%. The Oklahoma House of Representatives has voted to repeal their 4.5% sales tax on food and the Senate is expected to follow suite this year.

We ask for your support on the elimination or reduction of sales tax on food, and we encourage you to support S.B. 415.

We thank you for the opportunity to appear before this committee.

*Senate Assessment & Taxation
2-3-98
Attachment 2*

Testimony
before the Senate

Assessment and Taxation Committee

on SB 415

Presented by John Mitchell, Jr. of Treat America on behalf of the
Kansas Automatic Merchandising Association
February 3, 1998

Madam Chairperson and members of the committee:

Thank you for this opportunity. It is an honor for me to provide testimony on behalf of my company and my industry. I offer testimony today in support of Senate Bill 415, with the exception that I believe the bill needs to be amended to strike subparagraph (2) of paragraph (u), and thus to include food sold through vending machines from the reduced sales tax rate.

My name is John Mitchell. I am President of Treat America, Ltd.. We are a Johnson County based vending service company. Treat America employs more than 50 people and serves nearly 35,000 customers every day. At Treat America, we sell more than 18,000,000 pre-packaged food items through our vending machines each year. I also represent the Kansas Automatic Merchandiser Association (KAMA). I would estimate that Kansas vendors supply food to more than 500,000 working Kansans and Kansas students every day. Thus, as vendors, we have a keen awareness of how sensitive Kansans are to the cost of food.

The vending industry supports the efforts of this bill's sponsor to reduce the sales tax burden on food. I believe that all Americans are keenly aware of the prices they pay for food items. As a new father, with a stay at home wife, I know from experience what a big issue this is. I watch my wife clip coupons and I listen to her as she describes driving miles out of her way to buy baby food at Wal-mart because it is \$2.00 less than Target and \$5.00 less than the local grocery store. As a point of fact, she recently began doing her grocery shopping in Missouri because of the reduced sales tax.

Users of vending machines are certainly aware of the price they pay for vended food. I can assure you that if my company ever attempted to change the price of an item we sell without first notifying our customer and justifying the price increase, we would be in a heap of trouble and could expect numerous complaint calls.

Indeed, companies want and expect their vendor to provide their employees with a high quality, high value food program. They know that low food prices provide a strong incentive to their employees. In fact, there is a large and growing number of employers who subsidize the vending program because, for these companies, providing a low cost meal for their employees is a critical customer benefit. Because we are able to provide a good meal at a good price, and because of our convenience, many Kansas workers and their employers, rely on vending machines to satisfy their food needs.

Frankly, it is surprising to me how sensitive people are to our vended food prices, considering that they are already low when compared to other food outlets. The large majority of people who

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2-3-98
Attachment 3*

use Treat America's vending machines can get a Turkey sandwich, a 12 oz. can of Pepsi, and a bag of Frito Lay chips for less than \$2.00 including sales taxes. This price compares favorably to the average cost for a meal from a fast food restaurant of \$3.50, and the fast food restaurant is able to add sales tax on top of that menu price. The fact that consumers are so keenly aware of our pricing leads me to believe they care greatly about the prices they pay for food.

Some might think our food has a lower price and therefore is of lower quality. Our food is no different than what you can get at a convenience store. It is either well known branded food such as Tyson chicken breast sandwiches, and Little Charlie's Pizzas, or high quality fresh sandwiches prepared by a state of the art Kansas City commissary company, Honeybake Farms. Not only do we provide high quality, but, because so many people eat out of our machines every day, we provide our customers with lots of variety (over 250 menu items) and we pay special attention to include healthy selections such as salads, fruit and milk.

Thus, I believe we Kansans are sensitive to the prices we pay for food. If you choose to reduce the sales tax on food, all Kansans will thank you. Maybe the total dollars we will save are not large, but we will be reminded of the savings every day, again and again. And by reducing the burden on Kansas workers, Kansas employers will thank you.

While I strongly support Senate Bill 415 in general, I must ask that you do not pass it as written. Subparagraph (2) of paragraph (u), excludes food sold through vending machines from the reduced sales tax rate. I find this exclusion to be illogical and unfair and discriminatory toward the Kansas vending industry.

Please understand that vending is a very competitive business. Vending companies compete vigorously with each other to win accounts. More significantly, we compete head on with convenience stores and grocery stores. Make no mistake, the products we sell are identical. It is all pre-packaged, brand name items from Dolly Madison, M&M Mars, Nabisco, Frito Lay, Coke, Pepsi, Tyson, and many others. There is no difference in the products. The only difference is that our store is located in the break rooms of Kansas companies. In fact, as my add agency can attest to, my company recently adopted a new slogan, "Treat America, the more convenient convenience store." This slogan was designed specifically to make our users aware that we sell the same items as convenience stores, only more conveniently. You may have heard the Quick Trip adds on the radio recently during your morning drive to the office. If so, you know that they are hoping to get people to stop in and get a cup of coffee before they get to the office. Quick Trip is attempting to take our customers. Imagine you are on your way to work and you know that the pastry at the C-Store is reduced tax, but the pastry at the vending machine at work is fully taxed. Where would you stop?

We also compete with grocery stores. When people bring their lunch to the office from home that takes away from our sales. Whenever I survey a potential account I am carefull to look for 12-packs of soda hidden under desks, or Mr. Coffee's tucked away on shelves. Believe it or not, some people buy Coke and Folger's at the grocery stores and bring these products into the office, thereby reducing the vending machine's sales. If you reduce the sales tax at the convenience store and grocery store, but not at the vending machine, you will be putting Kansas vending operators at a severe competitive disadvantage.

As much as we are similar to grocery and convenience stores, we are unlike restaurants. We do not "prepare" any food items. The food we sell is "prepared" in advance, by a different

company, for much later consumption. Our users are free to take the products we sell with them. We sell large value bags of individually wrapped candy. We also sell gum and mint packages. Our consumers put these items in their purses, or take them back to their desks for later consumption. What's more, we frequently place machines near building exits because we know people will want a snack or beverage for the commute home. A student might purchase a product from our machine and keep it in his locker until after the track meet. There is no way we can know where or when people will consume the products we sell.

Also, our consumers gain no entertainment value by using our machines. In fact, as I have previously described, the primary users of our machines often do so out of necessity. Frequently, because of the short amount of break time, or due to the remoteness of their work facility, our consumers cannot leave their place of business. What's more, many of our customers rely on vending machines as a less expensive food source. It would be unfair to penalize those working Kansans and Kansas students who rely on the convenience and value vending machines provide. Indeed, by excluding vending machine food from the reduced sales tax, you would be penalizing those Kansans who need this tax relief the most.

Finally, I would like to point out that vending machine operators are already disadvantaged by the sales tax because we have no way to collect it. It would be a practical impossibility to set up vending machines which add sales tax onto the price of an item and ask consumers to insert pennies into our machines. Our sales prices include sales taxes. As a matter of fact, Treat America has recently ordered stickers for our vending machines which indicate the percentage of sales taxes which are included in the cost of the vended products. These stickers will indicate the sales tax rates in the various Kansas and Missouri counties we service.

As you know, Missouri recently reduced the sales tax on food, including food sold through vending machines. When Missouri passed this bill, in order to avoid any potential confusion, they expressly included food sold through vending machines as eligible for the reduced sales tax rate. We hope you would consider the same affirmative statement of eligibility.

For all of these reasons, I strongly support passage of this bill, but only if it is amended to affirmatively include food sold through vending machines.

Thank you for the opportunity to testify on Senate Bill 415.



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FRANCES KASTNER

Comments on S/B 415

EXEMPTING FOOD FROM SALES TAX AT POINT OF PURCHASE

The Kansas Food Dealers Association's membership includes retailers, distributors and manufacturers of food products throughout the State.

As you have heard from us in the past, many of our members along border states that do not have sales tax on food could support a complete sales tax exemption at the point of purchase IF the definition for "food" is the same as used for the food eligible for purchase with FOOD STAMPS.

We are aware that it is a very expensive proposal to exempt food from all of the 4.9 percent state sales tax at one time. Our members have not taken a position on when or how much to exempt the sales tax on food. However, we are asking you to please keep in mind that each time you ask grocers to reprogram their cash registers, there is an added expense involved.

It should also be remembered when local sales tax remains on food items it is necessary to ring up food items exempt from the state sales tax, keep the food items subject to the local tax, and then include all non-food items in both the local and state sales tax before reaching a total cost.

Technology allows us to do that relatively easily, but there is an expense to the grocer each time the sales tax rate is changed.

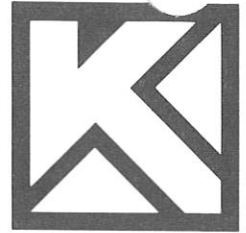
We appreciate the opportunity to present this information to you.

Donald Snodgrass
Donald Snodgrass

Frances Kastner
Frances Kastner

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, KS 66612-1671 (785) 357-6321 FAX (785) 357-4732 e-mail: kcci@kspress.com

SB 415

February 3, 1998

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Committee on Assessment and Taxation

by
Bob Corkins
Director of Taxation

Madam Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I thank you for the opportunity to express our members' views on SB 415. While KCCI is sensitive to the reasons advanced for reducing the sales tax rate on food, we feel there are better ways to achieve its tax policy objective without creating a substantial new compliance burden on Kansas retailers.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 46% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Our primary concern is the administrative cost of implementing and complying with a different state sales tax on food. Proponents of this change often cite the technology of cash

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Attachment 5*

register scanners as a means for easily adapting to the new sales tax base. Clearly, a scanning system does make the transition easier, but still not without an additional business expense.

First, however, the Legislature should consider the impact on retailers who do not utilize scanning devices. These will predominantly be small independent businesses which cannot afford the installation costs of the more sophisticated registers. The taxability of each item they sell will turn on the judgment and tax knowledge of their cashiers. You may recall last year's debate about sales tax exemption certificates and the extreme difficulty retailers experienced in satisfying the "good faith" acceptance standard. Today's proposal would present a similarly subjective burden on retailers which is even broader in scope. It would create very fertile ground within which state sales tax auditors could find countless mistakes to penalize. To satisfy this collection duty without the aid of scanners would be an oppressive expense that invites a new wave of tax audits.

Even companies with scanning registers would pay a substantial sum to adapt their systems. One large grocery chain which recently made the food sales conversion in Missouri estimated that necessary software modifications required approximately four manpower days per store using their own in-house personnel. If a company should need to hire contract help to make the adjustments, the going rate is around \$180 per hour. That translates to over \$5,600 per store for contract labor conversion.

According to the Kansas Department of Commerce and Housing, there are more than 2,600 retail food outlets in this state. Hence, a crude estimate of statewide conversion costs associated with SB 415 would be in the neighborhood of \$15 million. To the extent retailers are able to use in-house labor to accomplish the feat, the cost would be less. However, for retailers that do not already have scanning registers, the cost would be considerably more. But perhaps

of even greater interest to policy makers is the fact that this tax change would apply to many retailers beyond grocery stores and convenience stores. The Kansas Department of Revenue estimates that the number of retailers whose business involves at least some food sales eligible for this reduced tax rate would probably exceed 10,000.

Unfortunately, this expense represents only the up-front transition costs. The sales tax audits which would follow would be a persistent spawning ground for tax appeals, penalties and litigation. Defining reduced-rate food as that which is eligible for purchase with federal food stamps is helpful, but far from clear. The degree of preparation, the type of packaging, the presence or absence of dining tables at the establishment, and a myriad of other factors may determine whether the lower sales tax rate is applicable. For example, hardware stores might charge too much sales tax on garden seeds while convenience stores might charge too little tax for small frozen pizzas which are warmed up in the store's microwave.

This new tax compliance burden would be on top of the administrative costs our retailers are already absorbing. A 1994 Price-Waterhouse study of Kansas retailers indicated that the average cost of collecting sales tax was equal to 3.48% of the taxes collected. The state of Kansas -- unlike most other states and all of our immediately neighboring states -- does not (to any extent) reimburse retailers for this service.

Finally, if there is a desire to provide additional tax relief to lower income Kansans, we would encourage the Legislature to consider fine-tuning the current approach in this area. The food sales tax rebate program is appropriately targeted to those needing it most and it could be refined to increase its outreach. Greater public education and/or an application for the sales tax rebate on one's income tax return would be reasonable alternatives.

We respectfully urge your opposition to SB 415 and I thank you for your time and consideration.

HEIN AND WEIR, CHARTERED

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Stephen P. Weir

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SENATE ASSESSMENT AND TAXATION COMMITTEE

TESTIMONY RE: SB 415

Presented by Ronald R. Hein

on behalf of

KANSAS RESTAURANT AND HOSPITALITY ASSOCIATION

February 3, 1998

Madam Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Restaurant and Hospitality Association. The KRHA is the trade association for 1,200 restaurant and hospitality businesses in Kansas.

The KRHA opposes SB 415. This bill would set a state policy that discriminates against 1) businesses that prepare and serve food, and 2) against those individuals who, either by choice or by necessity, eat at restaurants or other food service establishments.

KRHA feels that this legislation will have an adverse impact on the food service industry in Kansas. This industry provides 80,700 jobs in the state and another 51,900 jobs in related industries. To the extent that the differential in tax affects an individual's decision to eat at a restaurant or to eat at home, and to the extent that restaurants lose business, the result will be less economic development, and less employment.

If the intent of this legislation is to benefit lower income individuals, then the legislation should not draw a distinction between food at home and food eaten out. As written, persons with high income who consume expensive foods purchased at a grocery store will not have to pay tax, while many lower and middle income people who are forced to eat out at least one meal a day, and sometimes more, will be forced to pay the tax. Many working men and women of average income will have to pay the tax, even if they are eating at their employer's cafeteria or a low-priced diner. If this legislation is an effort to do some social or economic justice, it should include all food purchases.

The KRHA would not oppose an approach along the lines proposed by Governor Bill Graves, to expand the sales tax credit for low income individuals.

The KRHA would urge the committee not to approve SB 415 as written.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

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Attachment 6*