

HB 2487 Neutral Testimony – written only
House Committee on Taxation
Food Sales Tax, exempt sales at farmers’ markets
Dave Trabert, CEO
January 25, 2022



Chairman Smith and Members of the Committee,

We appreciate this opportunity to submit written neutral testimony to HB 2487, which eliminates the state sales tax on food and food ingredients and provides a sales and use tax exemption on sales of farm products at farmers’ markets. We are neutral on this bill because of the likely possibility of future tax increases, and because there is a more beneficial way to achieve the same tax savings.

Eliminating the sales tax on food is estimated to cost the state \$462 million annually in lost revenue starting in FY 2023.¹ Without a long-term reduction in spending, adopting this policy will likely result in a shift of the tax burden – like higher income taxes or an increased sales tax on non-food goods. Current spending levels were predicated on this revenue source continuing, and while there is a surplus today, spending reductions or tax increases will soon be necessary.

Our new Responsible Kansas Budget report provides a framework for carefully spending the state’s current surplus.²

Further, permanent rate reductions on income taxes for everyone will produce better results and provide at least the same tax savings. The bottom tax bracket can be reduced to provide at least as much savings to low-income taxpayers, and there is better economic “bang for the buck” with an income tax reduction.

A study of OECD countries found that personal income taxes were the second most harmful to economic growth after corporate taxes.³ Taxes on productivity reduce the incentive to work more and to save if that money is going to be highly taxed.⁴

Our overall position on this bill is neutral because the preponderance of impact is on the food sales tax issue, but we oppose the creation of a new sales tax exemption for farmers’ markets. Kansans are better served by a comprehensive review of all exemptions and retaining or adding those that are deemed most appropriate.

We appreciate the opportunity to provide this information for your consideration.

¹ The Governor’s Budget Report, Kansas Division of Budget, includes \$13 million offset to the highway fund https://budget.kansas.gov/wp-content/uploads/FY2023_GBR_Vol1-1.12.2022.pdf

² Responsible Kansas Budget, Ganon Evans and Vance Ginn, Kansas Policy Institute and Texas Public Policy Foundation, <https://kansaspolicy.org/a-responsible-kansas-budget/>

³ OECD Tax and Economic Growth, Economic Department Working Paper No. 620, Åsa Johansson, Christopher Heady, Jens Arnold, Bert Brys and Laura Vartia, July 12th, 2008, <https://www.oecd.org/tax/tax-policy/41000592.pdf>

⁴ The Economic Effects of Financing a Large and Permanent Increase in Government Spending: Working Paper 2021-03, Congressional Budget Office, March 22, 2021, <https://www.cbo.gov/publication/57021>