



March 23, 2021

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Kansas Action for Children  
Neutral written testimony on SB 296  
Senate Assessment and Taxation Committee

Chairperson Tyson and Members of the Committee:

Thank you for the opportunity to provide neutral testimony for SB 296. Kansas Action for Children (KAC) is a nonprofit, nonpartisan organization. Our vision is to make Kansas the best state to raise -- and be -- a child, and our organization shapes health, education, and economic policies that improve the lives of Kansas children and families.

While KAC is concerned Kansas has the second highest food sales tax rate in the country, we believe given our state's current fiscal position, we need more targeted policy solutions to help working families in our state. KAC encourages the committee to consider **a more targeted alternative, like reinstating the refundability of the food sales tax credit**, rather than an overall reduction in food sales tax that is currently proposed in the bill.

**A food sales tax credit is more targeted to the people who need the most assistance.** We know that low- and moderate- income families are most likely to experience, food, housing, and job insecurity. These are the families that deserve our focus and help putting food on the table.

**A refundable food sales tax credit would likely return to the economy directly.** Food assistance programs such as SNAP and refundable credits like the Earned Income Tax Credit (EITC) have been proven to boost economic activity. It is estimated that "in a weak economy, \$1 in SNAP benefits generates \$1.70 in economic activity." Similarly, the EITC generates economic activity, as "every EITC dollar a recipient earns, they return \$1.50-\$2.00 to the economy, supporting not only their families but also their communities."<sup>1</sup> We believe a refundable food sales tax credit would create similar economic activity.

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<sup>1</sup>Caines, Roxy. "5 Ways the EITC Benefits Families, Communities, and the Country." Center for Budget and Policy Priorities. January 26, 2017. <https://www.cbpp.org/blog/5-ways-the-eitc-benefits-families-communities-and-the-country>

**Kansas once had a refundable food sales tax credit.** Tax policies implemented in 2012 undermined the financial well-being of working families. In 2013, the food sales tax credit was made nonrefundable, along with accompanying changes in eligibility. The credit had been refundable, meaning filers whose credit exceeded their tax liability received the difference in their refunds. Nonrefundable credits are less helpful for low-income earners, who often do not owe enough in taxes to benefit. These changes dramatically decreased the number of filers using the food sales tax credit.

In tax year 2012, the final year the program allowed refundability:

- 384,725 eligible filers received \$60,754,843 in food sales tax refunds.

In the most recently available Tax Expenditure Report from process year 2019, the food sales tax credit benefited significantly fewer Kansans:

- 70,090 eligible filers with \$9,847,101 worth of credits.

The current nonrefundable food sales tax credit is restricted to taxpayers who earn \$30,615 or less and are:

- Over the age of 55, or
- Disabled or blind, or
- Have at least one dependent under the age of 18 living with them the entire year.

**Reinstating refundability will help low-income, working families, as well as low-income seniors.** Many seniors rely on Social Security income and retirement distributions and are below an income tax return filing requirement threshold. Before the change in the food sales tax refund, these seniors would file returns to receive the benefits of the food sales tax refund, helping them make ends meet.

Again, KAC understands the concern about the high food sales tax rate. However, given our current economic challenges, we believe a refundable food sales tax credit is a more targeted solution to helping the families who need it most keep food on the table. We are happy to answer any questions you may have. You may reach me by email at [emily@kac.org](mailto:emily@kac.org).