

Food Sales Tax; HB 2106

HB 2106 amends law related to sales tax on food.

Food Sales Tax Rate

Beginning January 1, 2023, the bill reduces the state sales and compensating use tax rate on food and food ingredients from 6.5 percent to 4.0 percent. The rate will be further reduced to 2.0 percent on January 1, 2024, and reduced to 0.0 percent on January 1, 2025.

“Food and food ingredients” are defined to include bottled water, candy, dietary supplements, soft drinks, and food sold through vending machines and to exclude alcoholic beverages, tobacco, and most prepared foods.

Local Sales Tax on Food

The bill provides that sales of food and food ingredients are subject to sales taxes imposed by cities and counties and that all sales subject to sales taxes imposed by cities and counties are subject to sales taxes imposed by Washburn University.

Distribution of Sales Tax Revenue to the State Highway Fund

The bill changes the percentage of sales tax revenue distribution to provide the State Highway Fund with 17.0 percent of sales and use tax receipts beginning January 1, 2023, and 18.0 percent of sales and use tax receipts beginning January 1, 2024.

Food Sales Tax Credit

The bill sunsets the food sales tax credit at the end of tax year 2024.

Fiscal Effects [updated with new fiscal information on May 26, 2022]

The Department of Revenue estimates the bill will reduce state revenues by \$80.3 million in FY 2023, \$264.1 million in FY 2024, \$434.3 million in FY 2025, and \$533.9 million in FY 2026.

Of those amounts, State General Fund receipts are expected to be reduced by \$85.0 million in FY 2023, \$257.5 million in FY 2024, \$437.1 million in FY 2025, and \$526.2 million in FY 2026. State Highway Fund receipts are expected to increase by \$4.7 million in FY 2023, decrease by \$6.6 million in FY 2024, increase by \$2.8 million in FY 2025, and decrease by \$7.7 million in FY 2026.