

**Positive Written Testimony on HB 2111
Eliminating Food, Diaper and Feminine Hygiene Sales Taxes in Kansas**

**Donna K. Ginther
Director, Institute for Policy & Social Research
Roy A. Roberts & Regents Distinguished Professor of Economics
University of Kansas
February 6, 2023**

Background and Summary:

I have served as the chief academic adviser to the Governor’s Tax Reform Council starting in 2019. One issue the Tax Council has repeatedly addressed is the regressivity of the food sales tax. A tax is regressive when the tax burden as a share of income decreases as income increases. For example, sales taxes are regressive because low-income households spend more of their income on consumption that is more frequently subject to taxation compared to high-income households. This testimony demonstrates the regressivity of the food, diaper and feminine hygiene sales tax and comments on the specific provisions of House Bill 2111.

This testimony is **Positive** on House Bill 2111 because it eliminates the food, feminine hygiene and diaper sales taxes on April 1, 2023.

Kansas is one of 13 states that levies a sales tax on food, and the state currently taxes food at 4%, one of the highest rates in the country (Figure 1). Of the surrounding states, only Oklahoma charges a higher sales tax rate on food. These figures do not include local sales taxes. Six states (including Missouri) which totally or partially exempt food from state sales taxes allow for the imposition of local taxes on food, according to the Federation of Tax Administrators.

Grocery purchases in Kansas increase with family size and income. Using data from the Survey of Consumer Expenditures in 2020, we estimated the share of annual expenditures on groceries and other taxable goods and services for a family of four (Figure 2). The height of the bars indicates the percentage of income spent on goods and services. Lower income households spend a higher share of their total income on food and other goods that are more frequently taxed, and thus pay a higher share of their income on the food sales tax than high-income households. Food is a necessity, and Kansas households cannot avoid paying the food sales tax. Likewise, diapers are a necessity for young children and feminine hygiene products are a necessity for women. Lower income families will spend a larger share of their income on these products and pay a higher share of their income in taxes for these necessities.

**State Sales Tax Rates on Food in the United States, by State
(as of January 1, 2023)**

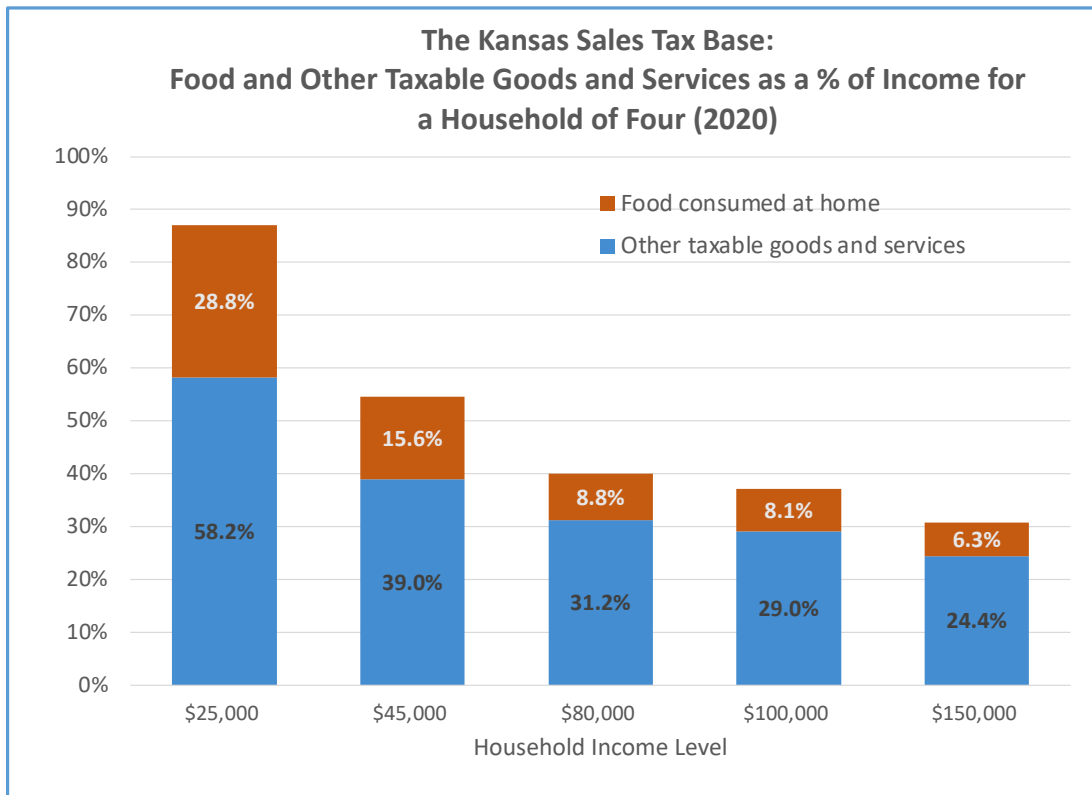
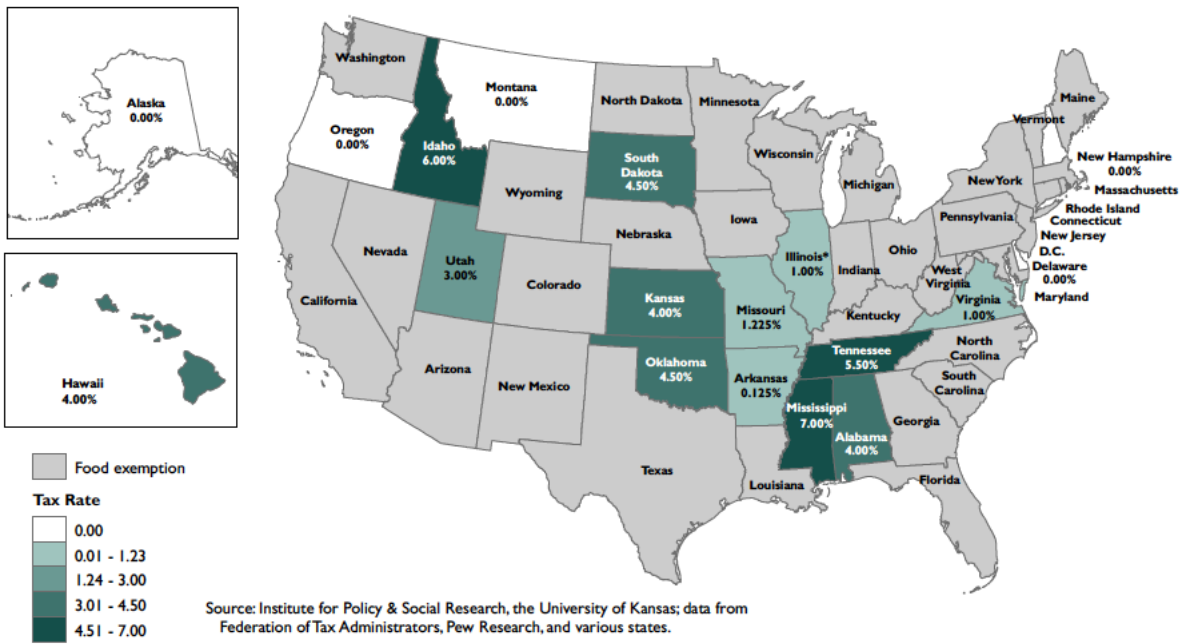


Figure 2: Estimated Food and Other Sales Taxes Paid by Household Type, Hypothetical Taxpayers, by Income for a Family of Four.

All sales taxes, and especially grocery sales taxes, are regressive, meaning that low-income families spend a larger share of their total income on food. The lowest income household considered spends 29% of their income on food, whereas higher income households spend closer to 6% - 8% of income. Thus, low-income households will spend more of their income on the grocery sales tax than higher income households.

We also calculated the total dollar expenditures on food for these same four-member households. As before we assigned the grocery expenditures for a household of that income from the Survey of Consumer Expenditures. A family of four spends between \$261 and \$354 on grocery sales taxes. Expenditures increase with income because high-income households purchase a more expensive mix of groceries.

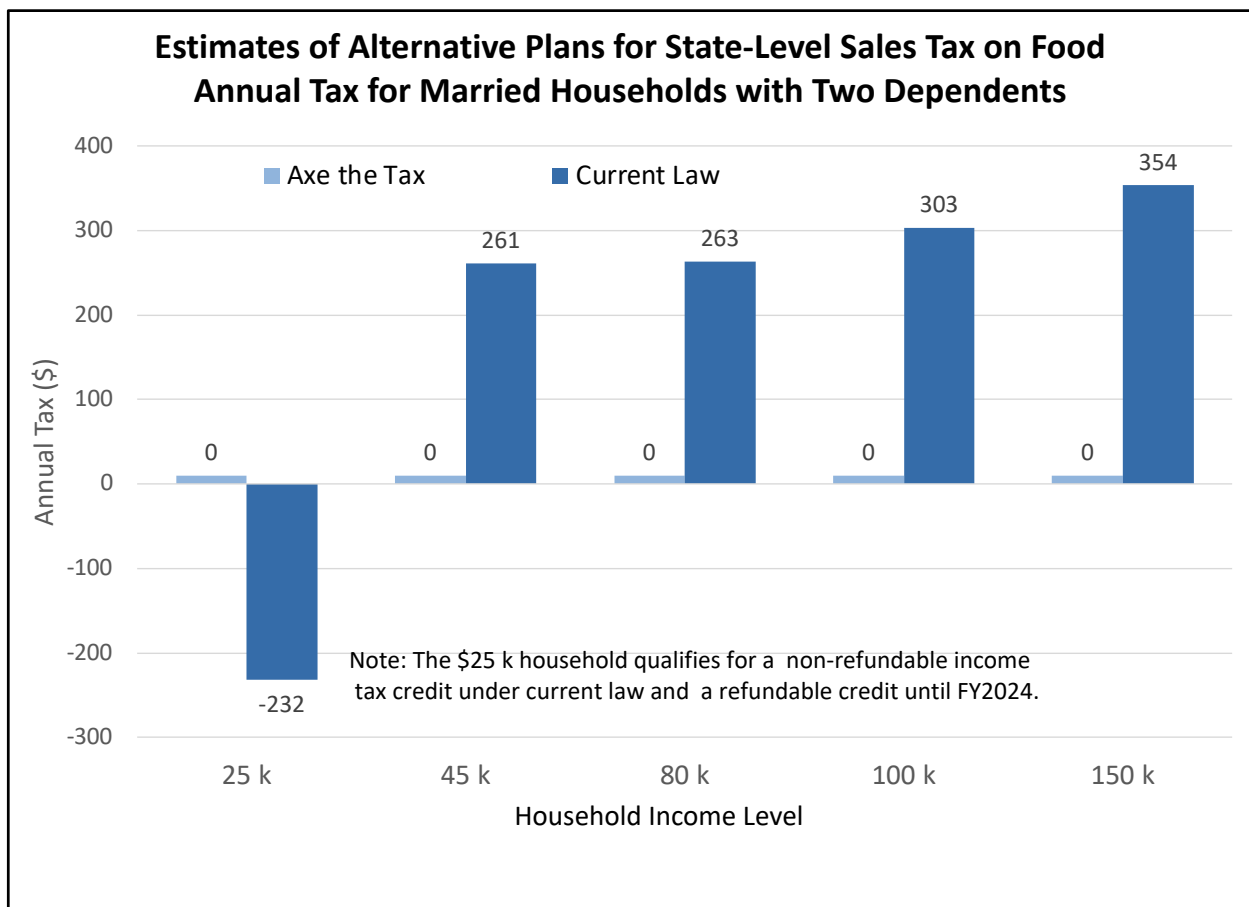


Figure 3: Estimated Food Sales Taxes Paid by for a Four-Person Household, by Income Under the Current Law and HB2111

Research by Kegan O’Connor, now employed at the Economic Research Service at the United Stated Department of Agriculture, investigated the impact of grocery sales taxes on food

insecurity.¹ He found that when states *decreased* the grocery sales tax, it resulted in a **39% reduction** in food insecurity. Several researchers have found that food insecurity is associated with poor health in both children and adults (Gundersen and Ziliak 2015 and Gundersen, et al, 2018).

The *Wayfair* Decision, coupled with closing the Marketplace Facilitator's loophole in SB-50, broadened the sales tax base significantly in Kansas. This provides the opportunity to potentially reduce or eliminate the most regressive tax in the state, the grocery sales tax. The November, 2022 Consensus Revenue Estimate increased revenue projects by over \$700 million. In addition, the Consensus Revenue Estimates have already factored in the full cost of eliminating the food sales taxes.

References:

US Department of Agriculture, (2019). Definitions of Food Security. Available online at: <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/definitions-of-food-security.aspx>

Gundersen, C., B. Kreider, and J. Pepper. 2018. Reconstructing SNAP to More Effectively Alleviate Food Insecurity in the U.S. RSF: The Russell Sage Foundation *Journal of the Social Sciences* 4(2).

Gundersen, Craig, and James Ziliak. "Food Insecurity and Health Outcomes." *Health Affairs* 34, no. 11 (2015): 1830-839

¹ The USDA defines food insecurity as lack of consistent access to enough food for an active, healthy life (USDA 2019). O'Connor defined households as food insecure if they answered yes to one of two questions: Low Food Security: reports of reduced quality, variety, or desirability of diet. Little or no indication of reduced food intake. Very Low Food Security: reports of multiple indications of disrupted eating patterns and reduced food intake.