

**To:** House Taxation Committee, Representative Adam Smith, Chair

**From:** John Donley, Kansas Farm Bureau

**Date:** March 2, 2022

**Re:** **HB 2711 – Reducing the rate for sales and use taxes for sales of food**

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Chairman Smith and members of the Committee, I appreciate the opportunity to provide testimony in opposition to HB 2711. My name is John Donley, and I am providing written testimony today on behalf of Kansas Farm Bureau (KFB). KFB is the state's largest general farm organization representing more than 30,000 farm and ranch families through our 105 county Farm Bureau Associations.

While the reduction or elimination of the sales tax on food and food ingredients has received significant political attention over the past few years, the policy implications of such a decision has been mostly overlooked. I am here today to discuss the basic policy implications of reducing the sales tax on food.

Kansas Farm Bureau has clear policy opposing HB 2711. Below are the two policies of Kansas Farm Bureau related to this issue:

- “The sales tax should be applied at the retail level.”
- “All citizens are consumers of food and are uniformly taxed on the food they purchase. We oppose legislation to reduce or exempt the sales tax on food.”

People often state that applying the sales tax on food is very regressive tax policy toward low income individuals and families. The Tax Foundation has stated that “while grocery sales tax exemptions are well-intended, in practice they are limited in their ability to help low-income consumers.” *See* Tax Foundation Fiscal Fact No. 598.

In conclusion, Kansas Farm Bureau opposes the reduction in the food sales tax because food is one of the final sale destinations for agricultural products. A **retail sales tax** system should be designed to tax the ultimate retail sale. It is our fear that the reduction in the retail sales tax of food may be a first step in moving toward a value added taxing (VAT) system, which we strongly oppose. **While this bill is an improvement from a policy perspective as related to other proposals in the legislature, it still goes against our existing policy.** Therefore, we encourage you to oppose HB 2711.

Thank you for the opportunity to testify today, and I will stand for questions at the appropriate time.