

To: House Taxation Committee
From: Erik Sartorius, Executive Director
Date: January 25, 2022
RE: Neutral Testimony on HB 2484 & HB 2487

I would like to thank Chairman Smith and the Committee for allowing the League of Kansas Municipalities the opportunity to provide neutral testimony on House Bills 2484 and 2487.

The League has no position on the underlying policy in HB 2484 and HB 2487 of removing the state sales tax on food. Neither do we have a position on the farmers' market exemption in HB 2487. However, allowing local sales taxes to continue to be applied to food sales is of critical importance to our members.

For many cities across the state, especially smaller ones, the sale of food products is the primary source of sales tax revenue. If these cities were required to reduce their sales tax rate for food and food ingredients to correspond with the proposed reduction in the state rate, they would stand to face substantial financial challenges due to the resulting reduced revenue.

Here are examples how cities utilize their sales tax revenue. These are representative of how many cities in Kansas have their sales tax revenues pledged:

- Belle Plaine – Using sales tax revenues as matching funds for KDOT's City Connecting Link Improvement Program.
- Clay Center – Revenues from one ½ cent sales tax is used for roads, another ½ cent is used to pay bonds for their swimming pool.
- Colby – Revenues from ¾ cent sales tax dedicated to bonds issued for their events center.
- Stafford – Sales tax revenues are pledged for repayment of bonds for road repairs, electric utility improvements, and their swimming pool.

Removing the ability to continue to collect sales tax on food items would significantly impact many cities. With sales taxes and property taxes as the two primary revenue sources for cities, a drop in one puts pressure on the other. For these reasons, the League strongly supports the language in Section 1 of the bill. Thank you for your time and consideration of the perspective of cities on this important issue.