



March 9, 2020

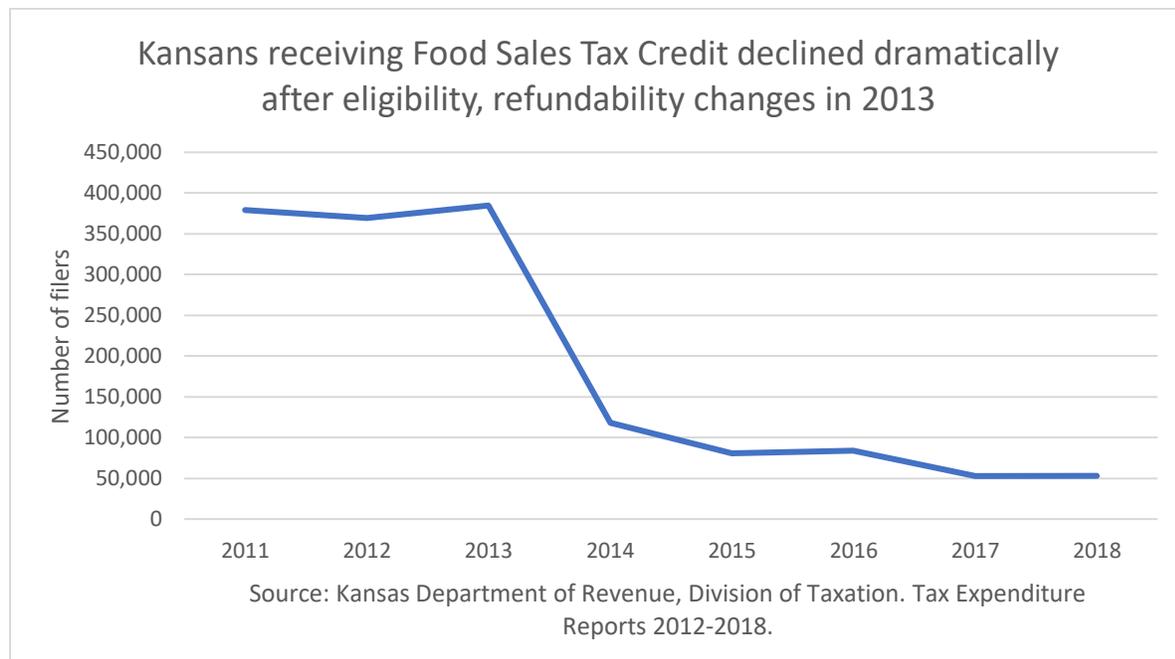
John Wilson, President
Kansas Action for Children
Verbal testimony in support of House Bill 2720
House Taxation Committee

Chairman Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony in support of a refundable food sales tax credit. Kansas Action for Children’s vision is to make Kansas the best state to raise -- and be -- a child. KAC shapes state and federal policies that improve health, education, and financial outcomes for young children and the adults who care for them, especially those experiencing poverty. We support a refundable food sales tax credit because Kansas Action for Children advocates for programs that help low-and middle-income Kansans make ends meet.

As Kansas continues to rebuild after years of economic challenges, we encourage policymakers to consider targeted policy solutions to help working families. One such approach is to reinstate the refundability of the 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 and coupled with changes in eligibility. The credit was previously refundable, meaning filers whose credit amount exceeded their tax liability could receive the difference. Nonrefundable credits are less helpful for low-income earners, who often do not have high levels of tax liability to benefit. These changes dramatically decreased the number of filers using the credit.



In tax year 2012, the final year the food sales tax refund 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 2018, the food sales tax credit only benefited 52,866 filers with \$7,252,993 worth of credits.

Low-income seniors would also benefit from reinstatement of refundability. Many seniors rely on Social Security income and minimal retirement distributions and often 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 needed benefits of the food sales tax refund, helping them make ends meet.

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, with “every EITC dollar a recipient earns, they return \$1.50-\$2.00 to the economy, supporting not only their families but also their communities.”¹ We believe a refundable food sales tax credit would create similar economic activity.

For these reasons, Kansas Action for Children supports a refundable foods sales tax. This bill will provide needed financial assistance to Kansas kids and the adults who care for them. We are happy to answer any questions you may have.

¹ 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>