



Chairwoman Tyson and Members of the Committee,

We appreciate this opportunity to submit written neutral testimony for SB 414, which exempts grocery stores from sales tax assessments for community improvement districts. Here are three points for your consideration:

1. SB 414 increases insolvency of CIDs
2. SB 414 neither helps the poor or creates economic growth

SB 414 increases insolvency of CIDs

Community Improvement Districts are a local economic development tool that raises sales tax rates in an area and uses the additional local sales tax collections to pay for development in the area. Removing grocery stores from their assessment will make additional local sales tax revenues erratic. SB 414 risks creating more insolvent community improvement districts.

SB 414 neither helps the poor or creates economic growth

If the framer of this legislation intends to decrease the tax burden on low-income Kansans, or lower the cost of food to encourage Kansas economic growth, SB 414 is an imperfect tool for either goal. Any gain to help low-income Kansans is offset by sales tax rates on other goods remaining high. Also, both wealthy and low-income Kansans purchase food. Therefore SB 414 is a sub-optimal policy for making the tax code more progressive.

As for economic growth, SB 414 lowers tax rates on goods that in America are considered weakly separable to work. In other words, Kansans will not be encouraged to work more to purchase more food at a lower price. Also, by allowing other goods to remain at the higher sales tax rate, products that are positively associated with work are discouraged upon. SB 414 is a sub-optimal policy for making the tax code more competitive and efficient.

We urge the committee to consider these points for action on SB 414.