

# *Sales Tax Incidence with a Focus on the Food Tax*

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## Overview

- We provide new data on sales taxes and sales tax incidence across the state.
- Use hypothetical taxpayers to demonstrate sales tax incidence.
- Discuss the Governor's Axe the Food Tax proposal.

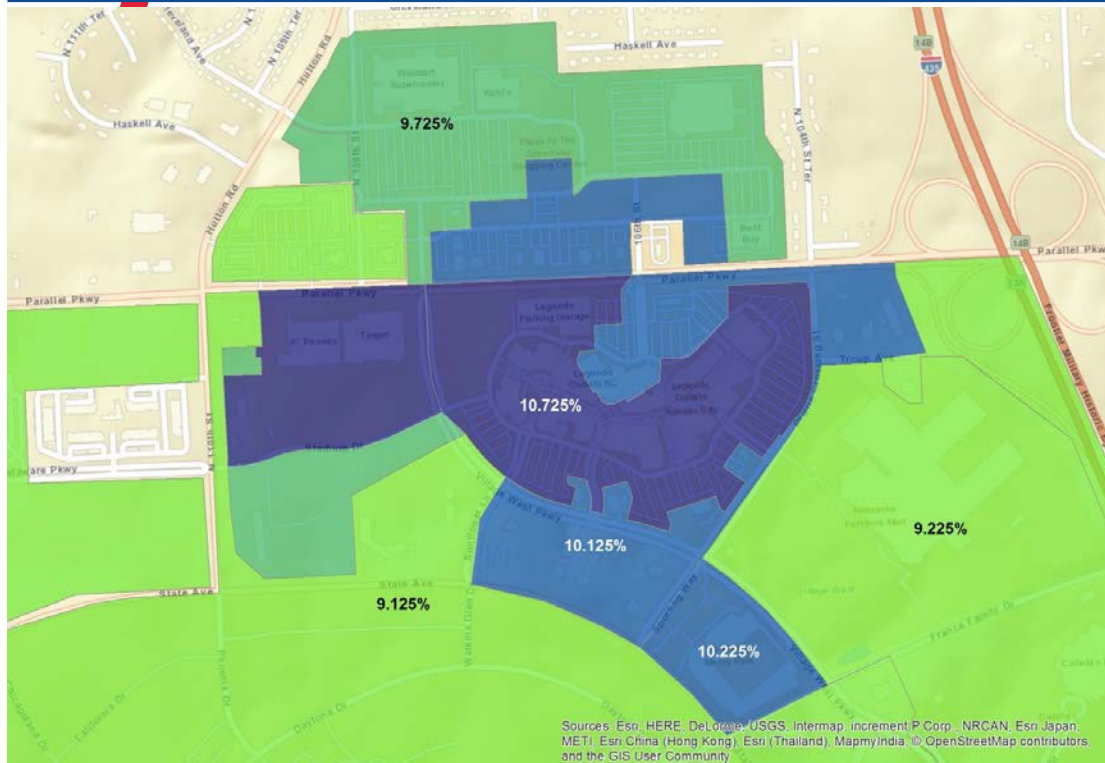
# Range of Sales Tax Rates by County

Range of Sale Tax Rates in Kansas, by County  
as of July 1, 2021



- Most counties and municipalities charge extra sales taxes in addition to the state sales tax.
- In some counties the maximum sales tax rate is greater than 10%.
- Johnson County has over 80 different sales taxes depending on location.

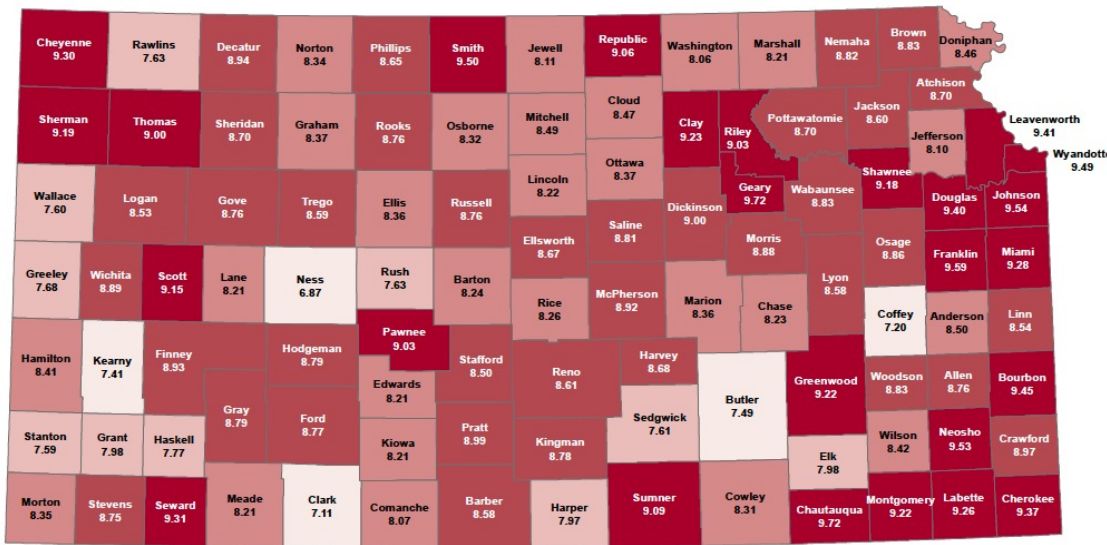
# Range of Sales Tax Rates at the Legends



- Walmart sales tax 9.73%
- Nebraska Furniture Mart 9.23%
- Target 10.73%

# Ratio of Sales Taxes Paid to Taxable Sales

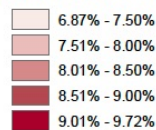
Average Sales Tax Rate in Kansas, by County, 2020



- In the state, the ratio of sales taxes paid to taxable sales is 8.81%.
- In 25 counties, effective sales tax rates are over 9%.
- Local sales taxes have been adopted as an alternative to higher property taxes.

Source: Institute for Policy & Social Research, The University of Kansas; calculated based on data from Kansas Department of Revenue.

Average Sales Tax Rate



State: 8.81%

# Hypothetical Taxpayers

- We will compare taxpayers across income, filing status, and location.
- This approach will demonstrate tax incidence and tax fairness for:
  - Sales
  - Income
  - Property & Motor Vehicles
- The approach can also be used to “personalize” the repercussions of proposed changes in Kansas taxes.

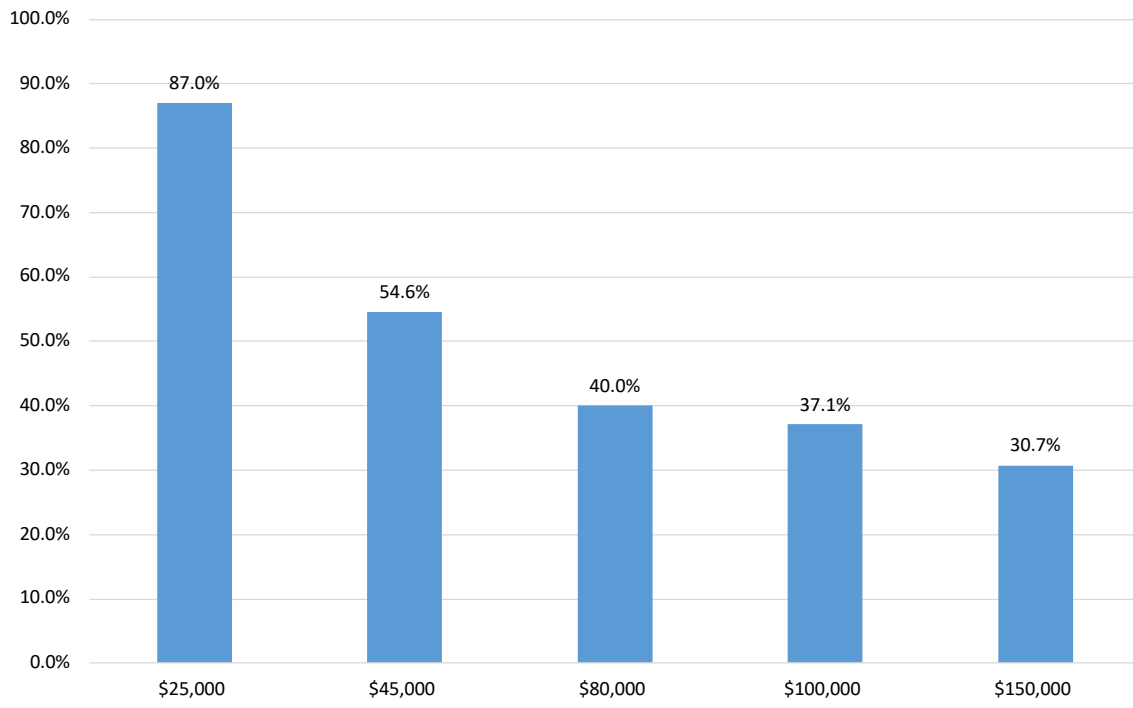
# Hypothetical Taxpayer Characteristics

Taxpayer type	Household size	Income level (\$)	Spending on food (at home)	Spending on other taxable goods and services
Single- 0 dependents	1	25,000	1,961	11,237
Single- 0 dependents	1	45,000	1,771	13,636
Single- 0 dependents	1	80,000	1,831	18,541
Single- 0 dependents	1	100,000	2,073	22,517
Married- 0 dependents	2	25,000	3,609	14,612
Married- 0 dependents	2	45,000	3,500	17,830
Married- 0 dependents	2	80,000	3,566	21,710
Married- 0 dependents	2	100,000	4,085	25,932
Married- 0 dependents	2	150,000	4,799	34,217
Married- 2 dependents	4	25,000	7,205	14,556
Married- 2 dependents	4	45,000	7,013	17,545
Married- 2 dependents	4	80,000	7,062	24,949
Married- 2 dependents	4	100,000	8,136	29,013
Married- 2 dependents	4	150,000	9,517	36,545

- We constructed 14 hypothetical households to represent a range of income and family characteristics.
- We matched their income to the Survey of Consumer Expenditures 2020 to get calculate the incidence of sales taxes.
- Focus on the state sales tax of 6.5%

# Hypothetical Taxpayer Sales Tax Incidence— 4 Person Household

The Kansas Sales Tax Base:  
Taxable Goods and Services as a Percentage of Income  
for a Household of Four (2020)

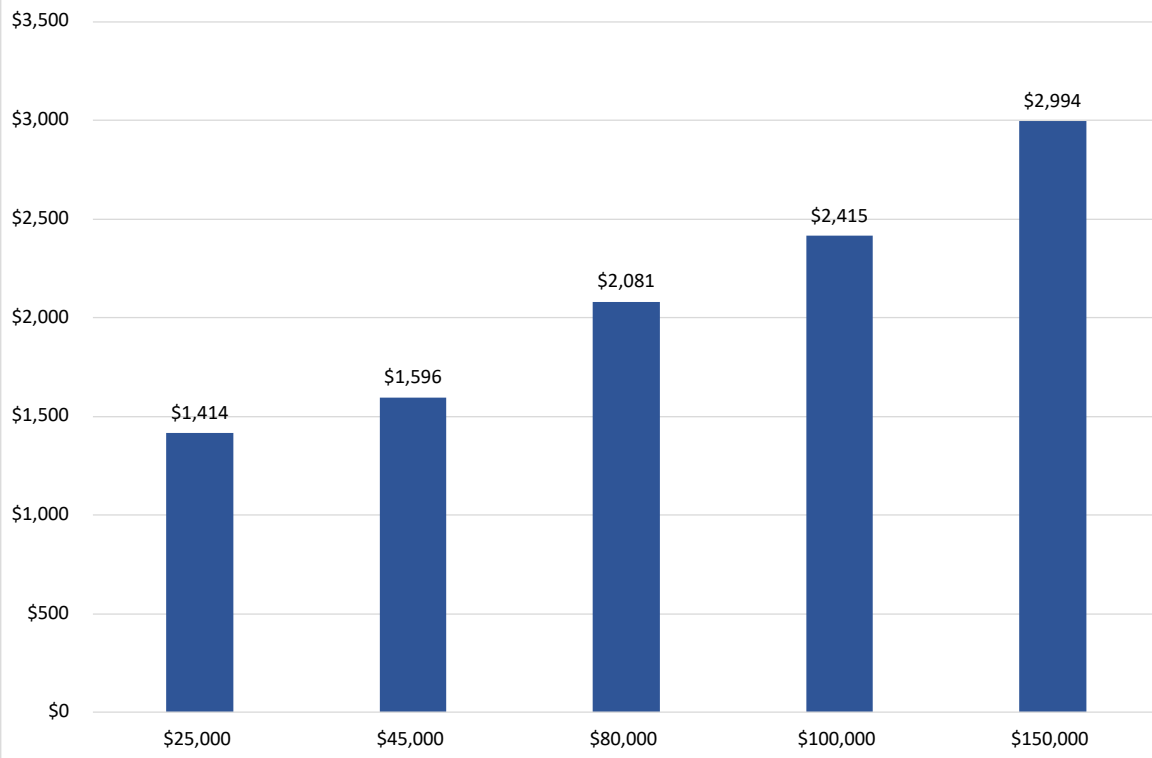


- A four-person household earning \$25,000 per year spends 87% of its income.
  - Pays taxes on 87% of what it spends.
- A four-person household earning \$100,000 spends only 37% of its total income.
- Sales taxes are regressive.



# Hypothetical Taxpayer Sales Tax Incidence— 4 Person Household

Kansas State Sales Tax (6.5%) on Expenditures  
for a Household of Four (2020)



- A four-person household earning \$150,000 pays higher taxes because they have more disposable income.
- A four-person household earning \$150,000 spends only 2% of its total income.
- A four-person household earning \$25,000 spends only 5.6% of its total income.
  - That's a rate that's almost 3 times higher than high income families.

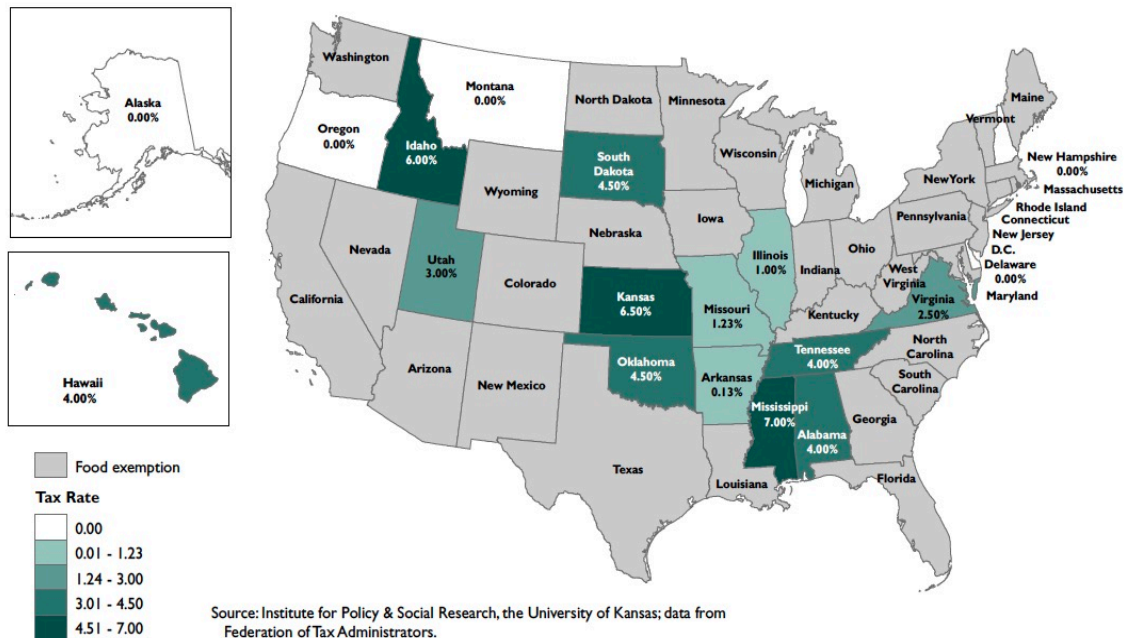


# Axe the Food Tax

What is the impact of the eliminating the state's  
food sales tax?

# Kansas is one of a handful of states that taxes food

State Sales Tax Rates on Food in the United States, by State  
(as of January 1, 2021)



Source: Institute for Policy & Social Research, the University of Kansas; data from Federation of Tax Administrators.

- 12 states besides Kansas tax food.
- Only Mississippi taxes food at a higher rate than Kansas.
- Six states (including Missouri) that totally or partially exempt food from the state sales tax, allow for local sales taxes on food.

# Hypothetical Taxpayer Food Sales Tax Incidence— 4 Person Household

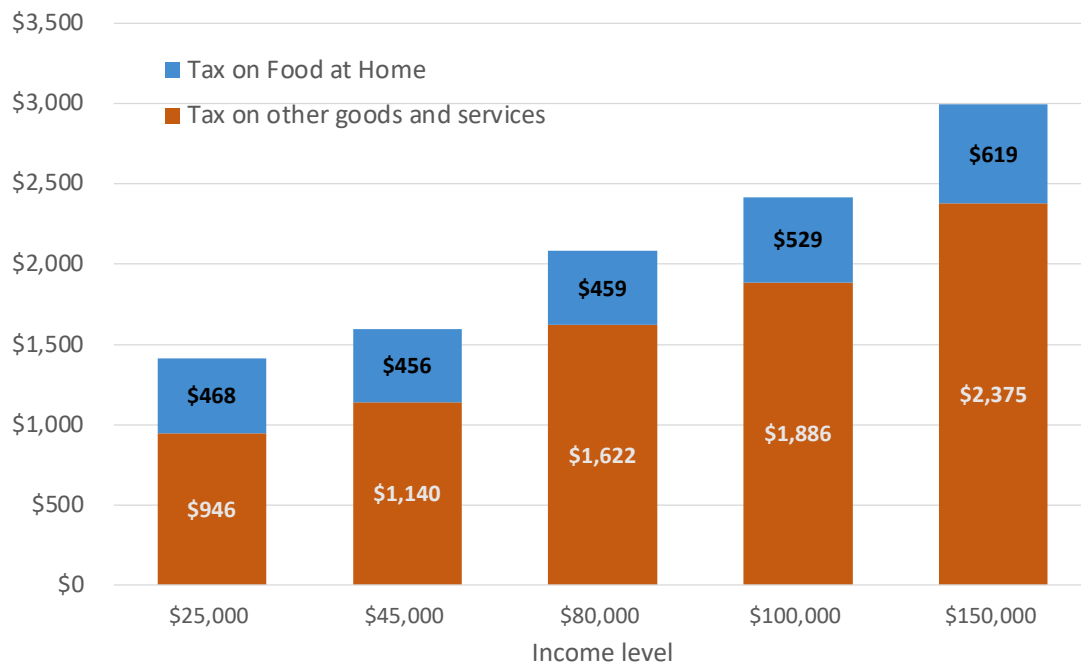
The Kansas Sales Tax Base:  
Food and Other Taxable Goods and Services as a % of Income for  
a Household of Four (2020)



- A four-person household earning \$25,000 per year spends 29% of its income on food.
- A four-person household earning \$150,000 spends only 6% of its total income.

# Hypothetical Taxpayer Sales Taxes Paid— 4 Person Household

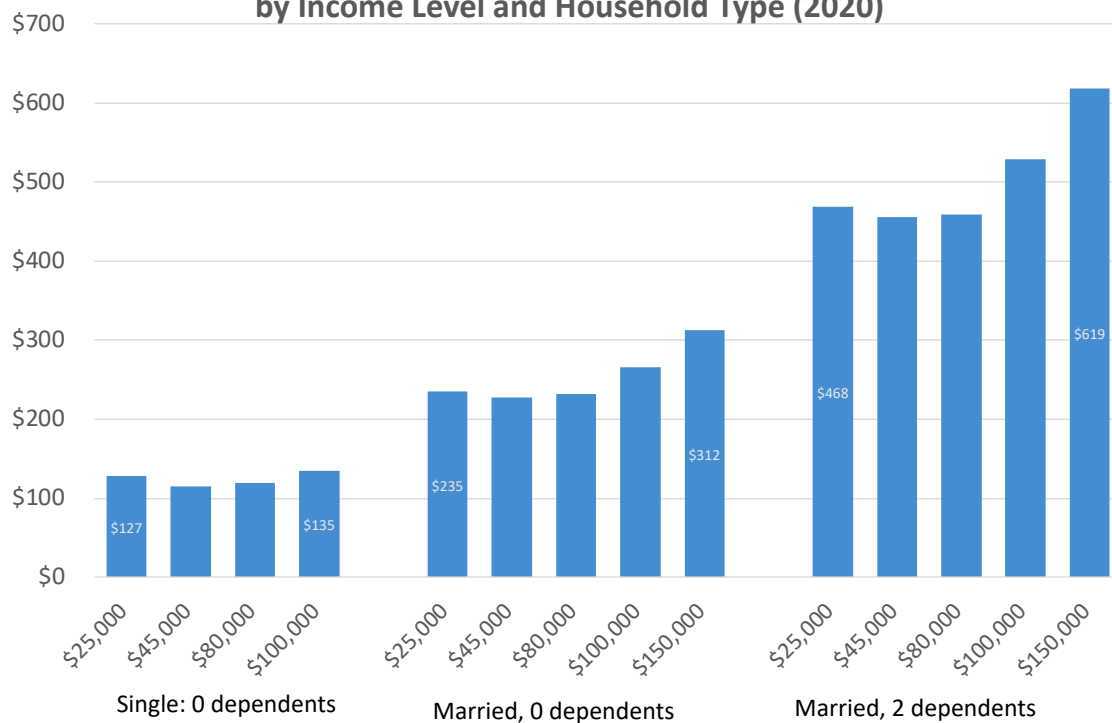
Kansas State Sales Tax (6.5%) on Food at Home  
and Other Goods and Services  
for a Household of Four (2020)



- A four-person household earning \$150,000 pays \$619 per year in grocery sales taxes.
  - .4% of income spent on grocery sales taxes.
- A four-person household earning \$25,000 spends \$468 per year in grocery sales taxes.
  - 1.9% of income spent on grocery taxes.
  - That's a rate that's almost 4.75 times higher than high income families.

# Hypothetical Taxpayers Food Sales Taxes

Kansas State Sales Tax (6.5%) on Food Consumed at Home  
by Income Level and Household Type (2020)



- Food expenditures vary both by income and household size.
- More people eat more food.
- Higher income households spend more on food.
- To calculate food tax savings:  
Weekly grocery bill x .065 x 52
- **\$150 x .065 x 52 = \$507 in annual savings.**

# Taxing Food Places an Undue Burden on Low-Income Families

- Dr. Kegan O'Connor, Financial Economist at Kansas Department of Revenue studied the impact of food sales taxes on food insecurity for his KU dissertation.
- Food insecurity: households are 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.

## Food Taxes and Food Insecurity

- O'Connor's results show that states that reduced the food sales tax experienced a 39% decline in food insecurity.
- 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.***



Thank You!

**Thank You** *Mahalo*  
*Kiitos*  
*Tack*  
*Toda*  
*Grazie*  
*Thanks*  
*Obrigado*  
*Takk*  
*Danke*  
**Gracias** **Merci**

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