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January 29, 2020

To: Members of the Revenue Committee
From: Julia Isaacs Tse, Policy Coordinator for Economic Stability and Health
RE: Opposition to LB 810 - Impose sales tax on bottled water, candy, and soft drinks

Voices for Children in Nebraska opposes the elimination of the sales tax exemption on bottled water, candy, and soft drinks in LB 810 because it would disproportionately affect lower-income Nebraska families.

Lower-income families spend a much larger share of their income on meeting basic needs. Consumption taxes, such as the one proposed by LB 810, are inherently regressive. The lowest quintile of Nebraska taxpayers (those with less than \$24,000 in household income) spent 6.1% of their income on sales and excise tax, compared to 0.8% for the top 1% of taxpayers (those with more than \$462,600 in household income).ⁱ When looking at all state and local taxes in Nebraska, lower income families already pay the most in taxes when compared to their income. The lowest quintile of Nebraskans spent 11.1% of their income on taxes, compared to just 8.7% for the top 1% of taxpayers.ⁱⁱ

We appreciate that the Legislature has before it a difficult task in balancing the state budget and addressing lagging revenue growth, but our resolution cannot start with a tax that will fall the hardest on lower-income families and people of color.ⁱⁱⁱ We recognize that the Legislature has before it a Herculean task in balancing the state budget and addressing lagging revenue growth, but our resolution cannot be one that places the greatest burden on children and families in lower-income households.

We thank Senator McCollister and appreciate his time and commitment in coming to broad solution for the state but are opposed to raising consumption taxes. We respectfully urge the committee to not advance LB 810. Thank you.

ⁱ "Nebraska: State and Local Tax Shares of Family Income for Non-elderly Taxpayers," *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 6th Edition*, Institute on Taxation & Economic Policy, October 2018, <https://itep.org/wp-content/uploads/itep-whopays-Nebraska.pdf>.

ⁱⁱ *Ibid.*

ⁱⁱⁱ Michael Leachman et al., "Advancing Racial Equity with State Tax Policy," Center for Budget and Policy Priorities," November 2018, <https://www.cbpp.org/sites/default/files/atoms/files/11-15-18sfp.pdf>.