



7521 Main Street, Suite 103
Omaha, Nebraska 68127

(402) 597-3100
www.voicesforchildren.com

BOARD OF DIRECTORS

Bruce Meyers
President

Amy Boesen
Vice President

Lorraine Chang, JD
Secretary

Michael Beverly, Jr.
Treasurer

Gary Bren
Wes Cole, MBA
Al Davis
Noah Greenwald, JD
Gatsby Gottsch Solheim, JD
Eric Johnson
Susan Mayberger, MA
Melanie Morrissey Clark
Edelweiss Rothe
Dulce Sherman, MA
John Stalnaker, JD
Charlie Stephan
Katie Weitz, PhD

Aubrey Mancuso, MSW
Executive Director

February 25, 2020

Senator Linehan, Chair – Revenue Committee
Room 1524, Nebraska State Capitol, Lincoln, NE 68509
RE: Opposition to LB 1213 - Change tax and school funding provisions

Dear Chair Linehan and Members of the Revenue Committee,

Hunger during childhood is detrimental to physical and mental health. Voices for Children in Nebraska opposes LB 1213 because it would have a disproportionately negative effect on Nebraska families' bottom lines. Our opposition is specific to provisions in LB 1213 that relate to the elimination of the exemption of food for home consumption from sales tax (page 7, line 17) and the levying of a 3% sales tax on food and food ingredients (page 19, lines 21-24) beginning July 1, 2020.

Lower-income families spend a much larger share of their income on meeting basic needs. Consumption taxes, such as the one proposed by LB 1213 on food for home consumption, are inherently regressive. Last year, the lowest quintile of Nebraska taxpayers spent 6.1% of their income on sales and excise tax, compared to 0.8% for the top 1% of taxpayers.ⁱ In recognition of the regressive nature of this tax, only 7 states apply sales tax to groceries and 6 others apply a lower rate to groceries.ⁱⁱ

Typical household expenditures vary significantly by family composition. In the case of food, families with teenagers would be particularly affected by the elimination of this exemption. For example, a family of 4 in Nebraska living at 140% of the federal poverty level (FPL) would expect to spend a quarter of their income on food, or \$764 monthly.ⁱⁱⁱ Because of our low eligibility threshold for SNAP, they would not be eligible for food assistance, and would therefore, spend \$275 in additional taxes annually under LB 1213 even with the lower tax rate of 3% on food and food ingredients.

One recent study examining the application of state and local sales tax to groceries found a statistically significant relationship between grocery tax rates and levels of food insecurity. Even after controlling for demographic and socioeconomic variables, researchers found that each 1 percentage point increase in grocery taxes increases the probability of household food insecurity by 0.6% among families living at 200% of FPL, and 0.56% among families living at 150% of FPL.^{iv}

We thank Senator Hansen and appreciate his time and commitment in coming to broad solutions for the state but are opposed to an approach that would make it more difficult for working families to make ends meet. We respectfully urge the committee to not advance the above provisions of LB 1213. Thank you.

Sincerely,



Julia Isaacs Tse, Policy Coordinator

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 Of the 7 states that apply sales tax fully to groceries, 4 states offer credits or rebates to offset taxes paid on food for certain households. Eric Figueroa and Samantha Waxman, “Which States Tax the Sale of food for Home Consumption in 2017,” Center on Budget and Policy Priorities, March 2017, <https://www.cbpp.org/sites/default/files/atoms/files/3-16-06sfp3.pdf>.

ⁱⁱⁱ Estimate for a 4-person household with 2 adults, 1 preschooler, and 1 teenager in an urban county in Nebraska. *Family Bottom Line*, Voices for Children in Nebraska, <https://familybottomline.com>.

^{iv} Norbert L.W. Wilson et al., “Do Grocery Food Sales Taxes Cause Food Insecurity?” Presented at the 2016 Agricultural & Applied Economics Association Annual Meeting, 2016,

https://ageconsearch.umn.edu/record/235324/files/Wilson_%20Zheng_%20Burney_%20Kaiser%20-%20Do%20Grocery%20Taxes%20Cause%20Food%20Insecurity.pdf.