

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

eliminate or ease the pinch.

Jan. 23, 2023



By Marsha Mercer, Stateline.org (TNS)

As inflation soared in the past year, families in some states suffered a double whammy—paying food sales taxes on top of higher-priced groceries.

At least five of the 13 states where groceries were taxed as of last Jan. 1 passed laws to reduce, eliminate or ease the pinch—Kansas, Virginia, Illinois, Tennessee and Idaho. Efforts failed in several other states.

Almost all states have seen their budget surpluses grow in the past two years, thanks

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Urban-Brookings Tax Policy Center, noted in an interview.

Grocery taxes that remain are “there for a reason. They’re needed as part of the revenue system, or because [elected officials] would rather cut other taxes,” such as the income tax, Auxier said.

Some states took relatively small steps last year. Tennessee, which dropped its grocery sales tax from 5% to 4% in 2017, lifted the tax for a month last August. Illinois paused its grocery tax for a year, starting last July 1, and Idaho increased the state tax credit for grocery purchases.

“The basic idea is the grocery tax on food is particularly problematic to lower-income households,” said Norbert Wilson, a professor of food, economics and community at the Duke Divinity School and director of Duke University’s World Food Policy Center. He has researched the correlation between grocery taxes and increased food insecurity.

The U.S. Department of Agriculture defines a household with limited or uncertain access to adequate food as food insecure. In 2021, about 13.5 million or 10% of American households were food insecure and had difficulty at some time during the year providing enough food for all members of the household.

Participants in the federal Supplemental Nutrition Assistance Program (SNAP), better known as food stamps, generally are shielded from grocery tax collected separately at the point of sale, but in some areas, tax already is included in the shelf price of some items. So, SNAP participants do pay the tax on those items. Recipients also typically run out of benefits before the end of the month. Plus, not every household with a low income is eligible or signs up for SNAP, leaving gaps in coverage, Wilson said.

Cutting or repealing the grocery tax is generally seen as making the tax code fairer

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

from the tax when they pay with food stamps, those with low incomes often buy prepared foods—such as rotisserie chickens, deli items and fast food—that are taxed.

Walczak argued in a recent report that a more comprehensive approach would broaden sales taxes to include groceries and consumer services (which high earners use more), paired with a grocery tax credit and income tax reductions.

Harry Kaiser, professor of applied economics and management at Cornell University, co-authored a study with Duke's Wilson on grocery taxes and food insecurity in 2021. It found the average grocery tax was about 4.2%, which adds up for families with low incomes.

"I'm all for getting rid of the grocery tax. The problem is, it's not easy to replace it," Kaiser said in an interview.

Cutting or eliminating the grocery tax is expensive to the states. As grocery tax revenue typically goes toward public education, health care and transportation, if a state fails to offset the lost revenue, it could put crucial public services at risk, said Eric Figueroa, senior manager of strategic projects and initiatives at the Center on Budget and Policy Priorities, and that would especially hurt people of color and families with low and moderate incomes.

In Virginia, for example, getting rid of the state grocery sales tax is projected to cost \$399 million in the fiscal year beginning July 1, the first full fiscal year of implementation. The cost is projected to increase to \$415 million in fiscal 2028.

Virginia's new law removes the state's 1.5% state tax on groceries and certain essential items, such as diapers and feminine hygiene products.

"This will help those who can least afford food and other items," Virginia state Sen. Jennifer Boysko, a Democrat who was the measure's primary sponsor, said in an

interview.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

States and localities sometimes struggle with which foods to exempt from tax.

Prepared, ready-to-eat foods sometimes are taxed at a higher rate than cold foods that must be cooked at home.

In New York, where groceries are generally tax exempt, cookies are not taxed, but candy is.

“You tell me the difference,” Kaiser said.

As state legislative sessions convene this month, governors and legislators in red and blue states are lining up to take another swipe at grocery sales taxes.

Kansas Gov. Laura Kelly, who in 2019 vetoed a bill to cut the state grocery tax, last spring signed a bill that would phase out the 6.5% tax in stages. Kelly, a Democrat, now wants to completely remove the state grocery tax by April 1 and scrap the tax on children's diapers and feminine hygiene products as well. Some Republican legislators say they support the speed-up.

But Republican state Sen. Caryn Tyson, who chairs the Kansas Senate tax committee and has been working on removing the grocery tax since 2012, would like to see the tax removed for all foods, including in restaurants, and to take a close look at other state taxes. She has not committed to the April 1 date.

In South Dakota, Republican Gov. Kristi Noem has made permanently ending the grocery tax her No. 1 legislative priority for the year.

Hawaii Gov. Josh Green, a Democrat, used his inaugural address in December to call for ending regressive taxes, including the grocery tax. Mississippi Lt. Gov. Delbert Hosemann, a Republican, suggested Jan. 3 he would be open to a cut in the state's 7% grocery tax.

Among the states that considered repealing the grocery tax last year were Alabama,

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

grocery tax exemption to the income tax cut package.

Idaho Gov. Brad Little, a Republican, signed a bill in March increasing the annual state tax credit for groceries by \$20 to \$120 for people under 65 and \$140 for people 65 and older.

Zito won't be working on the grocery tax issue this year. She promised to leave the legislature after six years and did not run for reelection.

©2023 The Pew Charitable Trusts. Visit stateline.org. Distributed by Tribune Content Agency LLC.

Benefits • Sales Tax • Small Business • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved