



• When South Dakotans grocery shop in neighboring states with no food tax, they wind up buying more than food. The SD economy and state coffers will benefit when this shopping comes back to South Dakota.

- If tax cuts are good for the economy, then certainly food tax cuts would be effective in a state like South Dakota, where incomes are below average, and 32% of the households are considered low-income by federal standards (below 200% of poverty level). Most do not get food stamps. Lower-income households are most likely to spend locally and immediately.

On November 2, over 124,000 South Dakota voters overcame the natural inclination to vote No on ballot measures, resisted the intimidation and distortions, and waded through unclear ballot language to vote to end the food tax. There were no half-hearted votes.

The state legislature could end or reduce the food tax. After all, it caused the uproar when by forcing the 2004 tax increase on food.

Ending the food tax is a moral issue. Moral issues do not go away. And neither do we - not until this unfair, harmful, and unnecessary tax is ended.

"Go on speaking, and do not be silent, for I am with you." -Acts 18:9-10

www.endthefoodtax.org

The members of the Non-Partisan Coalition to End the Food Tax:

Social Justice Team of Presentation Sisters of Aberdeen SD	Oglala Lakota College
Oyate Okiciyapi (People Helping People)	Rural Ethnic Institute
The Board of Church Women United - SD	Bread for the World - SD
South Dakota Peace and Justice Center	South Dakota Synod ELCA
Food Service Center -Food Pantry, Sioux Falls	South Dakota Women Work!
Good Shepherd Ministry Center, Sioux Falls	Augustana Coalition for Social Justice
Pax Christi Southeastern South Dakota	
Caminando Juntos Hispanic Ministry	
Association of Christian Churches of South Dakota	
Hunger Task Force of the South Dakota Synod ELCA	
South Dakota Advocacy Network for Women	
Board for Ecumenical & Justice Ministries of the Dakotas Conference United Methodist Church	
American Association of University Women of South Dakota	
South Dakota Coalition Against Domestic Violence & Sexual Assault	
Social Witness & Action Committee of the Presbytery of South Dakota	
Social Justice Group, Crestwood United Church of Christ	

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Why & How to End the Food Tax

What South Dakotans need to know



1. Food should not be taxed, because food is a basic necessity for life.

- You don't pay a tax before you can vote or before you can breathe. South Dakotans ended the tax on medical services and outlawed paying to use toilets. It is time to end the indecency of taxing people to eat in their own homes.

The consequences of taxing food are serious.

- In nearly every SD town, the food tax now equals 3 weeks of food annually. In many homes the tax takes food off their tables.
- A 2004 survey of Head Start families documented hunger in South Dakota. 20% of the parents reported that some of their children skipped meals because there was not enough money. 25% of these had to do so monthly. http://www.nwfc.org/20040819-CCC-NWFCO_SD-hunger.pdf
- Middle-class families often struggle to make ends meet, and need the tax off their food. For example, Mr. Timm, a school custodian, skips breakfast and some suppers too, because he wants to be sure his children can eat. Their family is struggling with medical bills.
- Hunger affects health and education.
 - Diabetes, afflicting many in our state, means higher grocery bills. The kind of food required to manage diabetes costs more than the Thrifty food Plan, the most basic USDA eating level.
 - Poorly nourished children have 2 to 4 times as many health problems as well-nourished children -- including difficulty concentrating at school, higher levels of hyperactivity and absenteeism.

2. Food tax is an unfair tax.

- South Dakota is among the "Terrible Ten" states for regressive taxes, meaning lower-income people pay a higher portion of income in state and local taxes. Food tax contributes to this problem. As a percent of income, ending food tax would benefit those with lower incomes more than those better off.
- You can economize with used furniture, used clothing, and used cars, but you cannot by used food. There is a minimum amount of food needed for basic human nutrition. The argument that the state needs this "stable source" of revenue assumes it is ok for a tax to make some people hungry.

- There is a narrow range between what the rich and the poor pay for food, especially compared to other items, such as furniture, clothing, cars and luxuries. Thus, **ending food tax would provide fairer tax relief than some other tax breaks.** The low tax rates to buy various recreational vehicles and cars are weighted toward benefitting the well-off. Property tax relief for homeowners has no cap, and it provides no relief at all for renters, although renters pay property tax through their rents. There is no tax at all on certain purchases of hot air balloons and personal aircraft.
- Does it really make sense to have no tax on food for horses, while babyfood is taxed?

3. Rebates do not solve the problem.

- Statewide fewer than 10,000 non-food-stamp households are receiving rebates, although the plan was intended primarily to benefit families without food stamps.
- Approx. 37,600 eligible families are still being missed by this system, the majority of those eligible. They receive no rebates.
- About 28,800 additional households are in economic struggle, yet they are not considered eligible.
- South Dakotans are understandably hesitant to apply and then appear in public using the food stamp card for the refund.
- Ending the food tax would help stretch family resources **better** than the rebates do: about \$400 a year versus about \$300 a year. [Curiously, the state says rebates help more, an argument based on a claim of an average of only \$76/week in food purchases for all SD families of 4.]
- According to state figures, **households with annual incomes below \$30,000 are paying \$18 million/year in food tax!** At the present rate, they will get only about \$2.4 million a year back in rebates.

4. The good news: Food tax can end without cuts to any city or state programs or services.

State revenue

- **Existing funds:** Use some of the state's surplus until the expected new revenue comes. South Dakota runs a surplus.

According to state figures, the surplus readily available is already enough to cover 3-4 years with no food tax, without touching the hundreds of millions of reserves & trusts dedicated to education and other purposes.

South Dakota has \$162 million in readily available reserves. The p.2

The amount to end state's food tax, depending on which definition of food is used, is 1.1 to 1.2% of the state budget.

National Conference of State Legislatures advises a rainy day fund no higher than \$49 million. In fact, South Dakota is the nation's worst offender for continuing to extract money from taxpayers, while holding such a surplus of taxpayer funds.

Even more revenue is expected. The 2003 Legislature revamped the sales tax system to pave the way for an est. \$119 million/year sales tax on internet sales, and paradoxically caused this year's tax increase on food and the uproar over the food tax.

- **Or, Revenue adjustments** that are more likely to impact luxuries: Throughout the food tax debates, many well-off people have said they can afford to pay. Take them up on their offer. Shift the food tax to things more often purchased by higher income households. 2% added to the current 3% tax to buy snowmobiles, yachts, jet skis, Cadillacs,... would cover for ending the food tax and bring South Dakota closer to rates in neighboring states, none of which give tax breaks for these items. (Annual vehicle registration fees are required to go to highways, but not the tax on purchases.)

City revenues

- Every town in South Dakota can **preserve ALL city sales tax revenue** by small adjustments to non-food rates. The legislature can readily allow these feasible, responsible, revenue-neutral rate changes on non-food sales, which are generally more discretionary than food. Example: An Aberdeen family would pay 25 cents more on \$100 of cleaning products, while saving \$300-400 a year on food. This chart shows how the city tax shift, rather than adding tax burden, leaves families better off.

<i>Examples (Brookings)</i>			
<i>Buying a chair</i>	<i>Cost of chair</i>	<i>Tax now</i>	<i>This plan</i>
<i>Low income</i>	<i>\$7 at thrift store</i>	<i>.41</i>	<i>.43</i>
<i>Middle income</i>	<i>\$40 chair</i>	<i>\$2.36</i>	<i>\$2.47</i>
<i>Better off</i>	<i>\$150 chair</i>	<i>\$8.85</i>	<i>\$9.26</i>
<i>Buying food</i>	<i>\$100</i>	<i>\$5.90</i>	<i>0</i>

5. Ending food tax would help families and the economy.

- Families could use the hundreds of dollars they will save. Fathers talk about savings: In one family of three, the father says, "It is enough to put a tank of gas in the car every month." Mike R. says his family's food tax could pay for his house insurance. Jim W. says, "What my family pays in food tax each year could pay for 3 months of after school care for our son."
- **Annual savings on food bill, family of 4: est. \$400, based on USDA Low-Cost food budget , or about \$100/person**