

KANSAS ASSOCIATION OF BEVERAGE RETAILERS

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February 18, 2015

House Taxation Committee
Kansas House of Representatives
RE: HB 2306

Chairman Kleeb and Committee Members:

My name is Jennifer Vogel of Kansas City, Kansas. Thank you for the opportunity to appear before you today on behalf of the Kansas Association of Beverage Retailers on a matter that is of the utmost importance to us and to hundreds of family owned businesses in Kansas. I am a third generation liquor retailer. I own Black's Liquor, LLC, and my husband owns and operates Rogers Wholesale Liquor, both in Wyandotte County. We established Rogers Liquor Store in Kansas City in 2000 and bought Black's Liquor in 2005. As life long residents of Kansas we appreciate the challenges facing the state today and understand the need to make tough decisions regarding the budget. To raise the enforcement tax on alcohol however, would be damaging, not only to us personally, but to the industry as a whole, especially in the counties bordering on Missouri.

In the year 2000, we purchased our first store from my parents. We heard customers commenting about making the short trip to Missouri to get their alcohol, tobacco and gasoline because the prices were cheaper. In the 1990's the problem of consumers going to Missouri for their alcohol and tobacco was so prevalent, that a distributor in our industry financed a campaign called "Keep it in Kansas". Since the passage of Sunday alcohol sales in Kansas, these stories have reduced a great deal. We've worked hard to keep our customers here. This tax increase could once again chase our customers back to Missouri.

Kansas taxes liquor products three times. The gallonage tax is paid at the wholesale level, the liquor enforcement tax (increased 50% in this bill) is paid at the off-premise retail level, and the liquor drink tax is paid at the on-premise level – at our restaurants, bars, and events. Because Kansas consumers pay a tax on a tax on a tax, there is an exponential increase at the end of the line. Every glass of wine enjoyed at a restaurant, every beer enjoyed at Sporting KC, and every cocktail enjoyed at the Legends pays the 10% drink tax calculated on top of the 8% liquor enforcement tax, calculated on top of the gallonage tax. How can we compare to neighboring states who simply add a sales tax on top of a gallonage tax?

Statistically, 50% of the off-premise liquor sold in Kansas is sold within 80 miles of the Missouri state line. See chart. This has been a reliable stable source of revenue to Kansas. Revenue that consistently comes in at predicted numbers. But we are within driving distance of Missouri – where is the tipping point?

The larger the disparity in prices becomes between Missouri and Kansas, the more customers will migrate across the state line. The Kansas resident, even the many who want to support their local businesses, will drive the short distance for what could be a considerable savings.

Lance and I are proud to be a part of the Kansas business community. We employ over 26 people in the two liquor stores. We also greatly appreciate our customers and friends that have allowed us to serve them.

Ultimately, this bill is about them. The cost of increased taxes will be paid by our customers, those who choose to remain loyal to Kansas businesses. It is for them and all of the thousands of people in the state of Kansas that rely on our industry for their livelihood, we ask you to oppose House Bill 2306.

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