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STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL
DISTILLED SPIRITS COUNCIL OF THE UNITED STATES
KANSAS HOUSE TAXATION COMMITTEE
REGARDING 2015 HOUSE BILL 2306
FEBRUARY 18, 2015

Mr. Chairman and Members:

Thank you for the opportunity to comment on 2015 House Bill 2306, which would increase the enforcement tax on distilled spirits and other alcoholic beverages from 8% to 12%. The Distilled Spirits Council of the United States (DISCUS) is a nationwide trade association of America's leading distillers, representing about 70% of the distilled spirit brands sold in the U.S.

HB 2306 proposes a dramatic 50% increase in the enforcement tax on alcohol. As the Kansas Department of Revenue economist has already noted in describing HB 2306, consumers react to higher taxes by changing consumption patterns, shopping out of state and buying less expensive products. The drop in the "spend" for alcoholic products due to this dramatic tax increase has serious ramifications for the Kansas economy.

DISCUS retains economists to analyze tax proposals when they occur in all fifty states. Our projection is that HB 2306 would cost Kansas businesses (wholesalers and retailers) tens of millions of dollars annually in lost sales with a corresponding job loss of several hundred jobs. See economic impact estimates prepared by John Dunham and Associates presented by other opponents.

Finally, we urge the committee to remember that all these tax increases are just collected by the industry. It is the people, your constituents, who pay the additional revenues projected for the state coffers by this legislation. And, unfortunately, liquor taxes are already very high, accounting for \$2 in taxes for every \$1 that the industry (suppliers, wholesalers, retailers and restaurants) earns in profit. And by their very nature, liquor taxes are regressive, imposing disproportionate burdens on working Kansans.

DISCUS urges the committee to reject HB 2306 as an excessive tax increase and a dangerous and costly economic mistake. Thank you for your time and interest in our views.