Kansas Restaurant and Hospitality Association

Testimony Opposing House Bill 2306

February 18, 2015

On behalf of the Kansas Restaurant & Hospitality Association, thank you for the opportunity to offer testimony on House Bill 2306. The KRHA stands in strong opposition of this legislation.

The Kansas Restaurant and Hospitality Association represents members who employ over 137,000 Kansans. We are one of the primary tax collectors for the state, collecting more than $424 million as an industry. Increasing the taxes on our members costs is exactly the opposite approach Kansas should be taken at this time.

Kansas restaurants pay the enforcement tax on beer purchased through wholesalers also will paid increased costs on wine and spirits as they get passed on. Raising the enforcement tax 50% from 8 to 12 percent is unnecessary because it singles out one of the most innovative and productive industries in Kansas.

A recent economic study produced by Dunham and Associates indicates that if this tax is passed over 1300 Kansas will lose their jobs in the alcohol and service industry. We understand Kansas is looking for revenue, but lets not forget about the hard working Kansas who will be impacted by singling out the restaurant industry.

The Kansas Restaurant and Hospitality Association stands firmly opposed to this bad idea.

Sincerely,

Adam Mills
Attachment included

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The Economic Impact of Increased Taxes in Kansas
A $1.06 a Barrel Tax Increase Results In a $1.30 Per Case Price Increase

The State of Kansas is considering beverage alcohol taxes to pay for budget shortfalls resulting from high levels of state spending. One of these proposals is for 4 percentage point increase in the liquor enforcement tax. By the time this tax is passed through to consumers, the impact will be close to $18 per barrel of beer.

This tax will come with a high economic price, costing as many as 1,319 jobs in the alcohol beverage industry. Workers in Kansas would receive $38.3 million less in wages and benefits, and the overall economy of the state will be reduced by $120 million per year.

These reductions in jobs, wages and economic activity will cost the state and its localities nearly $7.5 million in income, sales, profits, property and other tax revenues, helping to ensure that the doubling of the liquor enforcement tax will raise relatively little in additional revenue.

Economic Impact of 4% Alcohol Tax Increase In Kansas

	Direct	Supplier	Induced	Total
Beer				
Jobs	(584)	(158)	(285)	(1,026)
Wages	($13,849,340)	($4,813,253)	($11,023,716)	($29,686,309)
Economic Output	($29,236,371)	($22,554,329)	($39,172,156)	($90,962,856)
State and Local Taxes				($5,456,540)
Wine				
Jobs	(34)	(10)	(25)	(70)
Wages	($738,504)	($451,536)	($979,025)	($2,169,064)
Economic Output	($1,931,192)	($1,645,990)	($3,611,086)	($7,188,267)
State and Local Taxes				($332,256)
Spirits				
Jobs	(130)	(34)	(60)	(223)
Wages	($2,840,197)	($1,293,178)	($2,313,280)	($6,446,656)
Economic Output	($7,651,316)	($5,880,598)	($8,342,030)	($21,873,944)
State and Local Taxes				($1,666,446)
Total				
Jobs	(747)	(202)	(370)	(1,319)
Wages	($17,428,041)	($6,557,967)	($14,316,021)	($38,302,029)
Economic Output	($38,818,879)	($30,080,917)	($51,125,272)	($120,025,068)
State and Local Taxes				($7,455,242)

Developed by John Dunham and Associates: New York, based on data from 2012

JOHN DUNHAM ASSOCIATES