February 18, 2015

Mr. Chairman and Members of the Committee,

On the behalf of the Kansas Beer Wholesalers Association (KBWA), thank you for the opportunity to testify regarding H.B. 2306. The KBWA stands in strong opposition to raising the liquor enforcement tax.

Increasing the liquor enforcement tax from 8% to 12% is a 50% increase in the tax. This action would result in job losses at a time when the state can least afford to be shedding jobs. Attached to my testimony is an economic impact report from John Dunham & Associates. Dunham is a highly respected economist with vast experience in the beverage industry.

According to his analysis, this 50% increase would lead to the elimination of 1,319 jobs in the state. Workers would receive $38.3M less in wages and benefits and the overall Kansas economy would be reduced by $120M per year. This is the last thing our state needs at this critical time.

In addition, the KBWA opposes this tax increase because it is actually a tax increase on the hardworking men and women who purchase our products. There is little argument that this tax would impact many Kansans, several of which can least afford a tax increase.

We also have serious concerns with cross-border sales. Kansas liquor taxes are already high. Certainly higher than in Missouri, where many Kansas residents are already heading to buy beer, wine and spirits. A recent article in the Kansas City Star reported on how ABC agents used to look for Kansas license plates in parking lots of Missouri liquor stores and then write citations when Kansans returned home. Thankfully, this practice has ceased, but it none-the-less highlights that we are already losing sales and tax revenue to bordering states do to our high alcohol taxes.

Kansas beer distributors, craft brewers, liquor retailers, and on premise retailers are good corporate citizens, job creators, tax collectors for the state and a vital part of the overall Kansas economy. This massive 50% increase would harm a growing Kansas industry at a time when the state needs as many growth industries as it can get. We ask that you say no to increasing taxes on job creators and the hardworking people of this great state!

Thank you,

Jason Watkins
Executive Director

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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