

p.b.c.

Consulting



ADK

February 16, 2017

Testimony opposing HB 2315, proposal to increase Alcohol Taxes  
House Tax Committee

Chairman Johnson, and Members of the Committee,

I am Philip Bradley representing the Kansas Licensed Beverage Association. The KLBA represents the interests of the men and women in the hospitality industry, who own, manage and work in Kansas bars, breweries, clubs, caterers, hotels, and restaurants. These are the places you frequent and enjoy with the tens of thousands of employees that are glad to serve you. I have also been asked to speak for the KS Craft Brewers Assn., the KS Viticulture and Farm Winery Assn. and the Artisan Distillers of KS. Thank you for the opportunity to speak today and I will be brief.

**I just appeared before you Jan 31<sup>st</sup> representing these citizens and businesses, and the facts are still the same. We ask you to please review those documents for all the information, charts, lists and references you need to understand this issue. There is a summary below.**

**We all ask and urge you to oppose the proposed increases aimed at our industry!**

- **Our industry already has been targeted with increases**
  - **Sales taxes**
  - **Repeal of pass through, LLC exemption**
  - **This would be Strike 3!**
- **We have nowhere to pass along a tax increase- Competitive disadvantage with borders**
- **When it costs too much to go out-folks stay home! Lowering revenue sales, drink**
- **This will cost Jobs! (see economic impact information in previous testimony)**

**Targeted taxes, in this case, are a bad idea.** Our taxes go to SGF-these do not go to run the agency in fact alcohol taxes create more than the required dollars for licensing and regulation and create a profit for the state. That profit goes into the SGF so that the Legislature can use the proper process to appropriate those funds.

***This proposed increase will increase our cost of goods and therefore increase the prices to the consumer! By a projected factor of up to 10 percent!***

Kansas operates under a **4 tier system** of alcohol distribution and sales.

Alcohol must be manufactured or imported, that is the First Tier. A Distributor or wholesaler acquires from the first tier for resale to retailers. That is the second tier. They then sell to a retailer, usually to a package store or (for only bulk wine or bulk beer) to an on premise licensee. That is the third tier. And then the package liquor store sells to the restaurant, bar or caterer who is required to purchase from them. That is the fourth tier.

**There are many taxes on alcohol. Each of which imposes different rates and provides for a different disposition of revenue, including: Liquor Gallonage Tax, Liquor Enforcement and Liquor Drink Tax.**

**Gallonage.** The first level of KS taxation is the gallonage tax, which is imposed upon the person who first manufactures, sells, purchases, or receives the liquor or cereal malt beverage (CMB).

**Enforcement.** The second level of KS taxation is the enforcement essentially in lieu of Sales tax, which is imposed on the gross receipts from the sale of liquor (or in CMB sales tax) to consumers by retail liquor dealers; and to clubs, drinking establishments, and caterers by liquor stores and/or distributors.

**Drink Tax.** A tertiary level of taxation is levied in KS on the gross receipts from the sale of liquor by clubs, caterers, and drinking establishments.

**All liquor taxes are compounded unlike other taxes in other businesses and industries.** The consumer pays a drink tax, on the enforcement tax that the restaurant paid, on the gallonage tax that the liquor store paid when they purchased from the wholesaler, on the federal fees they paid.

**Many claim that the enforcement tax is like the "sales tax" for alcohol. We ask that you exempt the sales for resale from the enforcement tax like is done for sales taxes. We ask for that amendment to this bill.**

Our people still pay all the other taxes including; Sales, Income, Property, Payroll, SS, and Income. And in **addition**, we collect and pay the liquor taxes. And every year we pay more taxes. The revenue to the state increases every year. **Kansas receives more from our industry each year without ever having to increase rates.** Please refer to the tax information provided by Revenue. That is because of the multiple taxes, compounded upon each other. And that most liquor tax dollars are based on sales prices. Those prices increase with inflation, cost of living and increase of input costs.

But these past few years something is different. **The Drink tax, which indicates the health of the fourth tier, was down and now is increasing at a lower rate. Our tier has been hurting! Our fragile beginnings of a recovery would be devastated by this!**

**Targeted taxes of any kind are the fuzziest form of math,** and dangerous because of the implication that a small group of "others" should and can generate enough revenue to fill our current budgetary shortfalls. And they are certainly no way to balance a budget: According to the **National Conference of State Legislators**, a stable revenue source is "one that is broad-based, equitable, and not narrowly targeted at one specific type of economic activity..." **The above-mentioned taxes do not pass this test.**

The state's spending is overwhelmingly for general purposes: education, social services, transportation, and public safety. **Where all citizens benefit, all taxpayers have been willing to contribute equitably** to the revenue stream that pays for these programs. **It is discriminatory to expect even larger taxes on targeted industries to subsidize statewide needs,** and in fact, the numbers that are coming out of budget committees leave too large a hole to be filled with a simple targeted tax.

**The needs of all should not be carried on the backs of a few. Asking every Kansan to be part of the budget solution is the fairest way out of the budget crisis** and the only route that will put the state back on a fiscally sound track. To attempt to balance the budget with any other selective form of taxation would not only be punitive to the targeted group in the short term; it would be fiscally irresponsible in the long run.

Our industry is a working compliant contributor to the success of the state of Kansas. **Please do not kill the golden goose to fix that which is not broken!**

There are undoubtedly further issues and questions that will arise as these are read therefore I am available for your questions today and at your convenience.

Again, thank you for your attention and consideration.

**Phil**

**Philip Bradley**  
785-766-7492  
[pbb@sunflower.com](mailto:pbb@sunflower.com)

**pbc consulting representing;**  
**Kansas Licensed Beverage Association**  
**Kansas Viticulture & Farm Winery Association**  
**Craft Brewers Guild of Kansas**  
**Kansas Homebrewers Alliance**  
**Artisan Distillers of Kansas**  
**Equal Entertainment Group**