



HIGHER TAXES INCREASE CROSS-BORDER BEER SALES

An 8 percentage point liquor enforcement tax increase will raise beer case prices by \$2.38

The State of Kansas is considering an increase in beverage alcohol taxes in order to pay for higher state government spending. The proposal to increase the liquor enforcement tax by 8 percentage points will actually drive up prices \$32.72 per barrel (\$2.38 per case, \$0.59 per six-pack) by the time the increased costs are passed along to consumers. This will encourage cross-border sales of beer that will reduce state revenues.

Many alternative beer sources are available to Kansas' consumers.

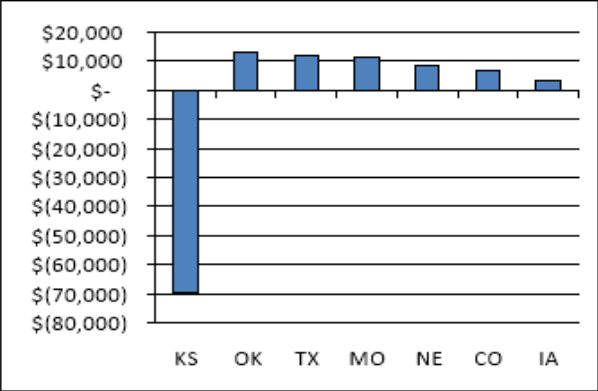
- Many people purchase beer from retailers in lower tax border states, non-taxed Native American territories or even online. A Tax Foundation report suggests that in 2000, nearly 19.9 million cases of beer moved between high- and low-tax states. Such cross-border sales accounted for almost two percent of beer sold in lower tax states, and allowed them to raise almost \$25 million in excise and sales taxes from residents of their higher tax neighbors.¹
- A more recent analysis of the U.S. beer market conducted for MillerCoors found that in 2012, cross-border sales had increased to nearly 6.4 percent of the total beer market.²
- The State of Kansas is not exempt to cross-border shopping. We estimate that about 312,800 cases of beer are imported into Kansas. This costs the State of Kansas by transferring tax revenues to other jurisdictions. An 8 percentage point increase in the Kansas liquor enforcement tax rate will shift the cross-border differentials, costing the state sales and revenues.
- With this tax increase, it is expected that consumers will go to the lower tax states of Oklahoma, Texas, Missouri, and Nebraska to purchase beer.



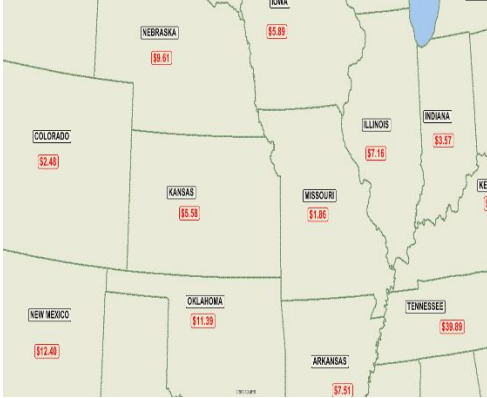


- Following a tax increase, it is likely that as much as 9.4 percent of beer sales in total would come from out of state. This is equal to about 2.2 million cases of beer that would be purchased from lower tax jurisdictions, with no tax being paid to Kansas. It will result in the loss of as many as 681 jobs for retail employees like clerks, stockers, store managers and laborers - just the kind of jobs that the most vulnerable residents of the state rely on.

Changes in Taxable Sales of Beer Under Proposed 8.0 Percent Enforcement Tax Increase



Excise Tax Rates Per Gallon Surrounding the State of Kansas



1 Moody, J. Scott and Wendy Warcholik, How Tax Competition Affects Cross-Border Sales of Beer in the United States, Background Paper 44, Tax Foundation, March 2004.
 2 Model developed by John Dunham and Associates, New York, 2015.

