THE ECONOMIC IMPACT OF INCREASED TAXES IN KANSAS

An 8 Percentage Point Liquor Enforcement Increase Results In a $2.38 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 an 8 percentage point increase in the state's liquor enforcement tax. By the time this tax is passed through to consumers, however, the impact will be closer to $32.72 per barrel. That is a $1.06 per gallon, $2.38 per case, or $0.59 per 6-pack increase. This will harm Kansas' economy, hurt jobs within the beer industry and industries that supply it, hurt Kansas' working poor and raise relatively little in additional revenue.

An 8 percentage point increase in the liquor enforcement tax on beer could result in jobs, sales and income losses.

- Raising beer taxes in Kansas by 8 percentage points will marginally increase revenues, but at a high economic price. It is estimated that the tax increase will result in lost sales of 2.34 million cases impacting workers at retail stores, bars, restaurants and other venues. It is likely that roughly 681 retail jobs will be lost as a result of this tax.[1]
- An 8 percentage point increase in the liquor enforcement tax could cost the State of Kansas an estimated $184.84 million due to a decline in sales and the resulting decreased need for raw materials (i.e. corn, hops and malt) and packaging materials (i.e. glass and aluminum). At the same time, the tax will raise only about $31.95 million resulting in a net loss to Kansas' economy of $152.89 million, after taking all of the effects into account.[2]
- If Kansas were to raise its liquor enforcement tax, more people in the state could lose their jobs. The state could lose a total of 1,474 simply as a result of this tax hike.
- Lawmakers should not enact job-killing tax increases, especially in these uncertain economic times. With 64,007 people already struggling to find jobs in the state, now is not a good time to add more people to the unemployment lines.[3]

The profitability of cross-border sales could increase

- This tax increase proposal will decrease sales by 2.34 million cases which will lead to $8.45 million less in business tax revenue from the sale of beer in Kansas.[4]
- By driving cross-border sales of beer, the tax will benefit border-states with lower tax rates like Oklahoma, Texas, Missouri and Nebraska.
- All told 1.65 million cases of beer would be purchased from these lower tax jurisdictions.
- Lost sales following the tax increase will cost Kansas over $17.67 million in revenues.

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1 Based on a model prepared on behalf of MillerCoors by John Dunham and Associates, Inc., New York, 2013, and data from the Bureau of Labor Statistics for the Leisure and Hospitality sector.

2 The tax would raise just 0.19 percent of the state's $16.44 billion budget, based on 2013 spending levels.

3 The Bureau of Labor Statistics. Available on-line at: www.bls.gov/lau/home.htm. Data for November-2016.

4 Based on a model prepared on behalf of MillerCoors by John Dunham and Associates, Inc., New York, 2013. Also see: 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.