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Consulting



ADK

February 16, 2017

Testimony opposing proposal to increase Alcohol Taxes
Senate Assessment & Tax Committee

Chairman Tyson, and Senators 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.

We all ask and urge you to oppose the proposed increases!

- **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!**
- **This will cost Jobs!**

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.

We oppose targeted taxes. We believe that the funds the state needs for general state needs should come from the taxes that all citizens pay, sales, property and income. **Targeting individual industries only makes that industry less competitive in the market place and drives consumers to other states or on-line sales outlets where Kansas receives no tax revenue.**

The legislature has considered and granted many roll backs and tax benefit to individual industries for just that reason. We ask that you apply consistent reasoning here as well.

Some legislators are rallying around the argument that targeted taxes will pull us out of the state's budget deficit or that they are the answer to specific programs budget woes. They mistakenly contend that consumers of alcoholic beverages, tobacco, lottery tickets and/or some other group should be obliged to pay disproportionately high taxes to help underwrite services that all Kansans enjoy.

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!

Our tier has been hurting! 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.

It is often said that the enforcement tax is like the "sales tax" for alcohol. We ask that you then 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.

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. Luckily for the State the other tiers have increased enough to compensate for the SGF's benefit. What that shows is more people are going home for dinner and entertainment. And that means that the business on the fourth tier are hurting, and all the folks, jobs, suppliers and vendors are hurting. More of them would be here except that most have reduced hours of their employees. Many have reduced their Workers too. They are increasing their own hours and they are picking up some of the shifts of cut back workers. And this is a game week. They have asked me to speak to you for them. And ask you to go out again please. **OFTEN! 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. In a previous state of the state, about the state budget solution, a wise Governor said, "Every Kansan will be affected. Every Kansan will be asked to contribute to the solution." The citizens of Kansas, when shown where specific monies can be directed to provide services, have always been willing to pay their fair share, but first have rightfully asked exactly how existing revenues have been allocated. Increasing the tax burden of the hospitality industry, a segment extremely hard-hit since the 9-11 tragedy, and first and most deeply affected in the current economic downturn, would be counterproductive.

Asking every Kansan to be part of the budget solution is, I suggest, 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 creates more revenue for Kansas each year without an increase in rates. 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.

Our industry is working and is a 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.

Philip Bradley

There is no such thing as a 'self-made' man. We are made up of thousands of others. Everyone who has ever done a kind deed for us, or spoken one word of encouragement to us, has entered into the make-up of our character and of our thoughts, as well as our success. George Matthew Adams

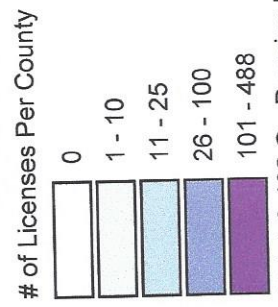
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Kansas Viticulture & Farm Winery Association
Craft Brewers Guild of Kansas
Kansas Homebrewers Alliance
Artisan Distillers of Kansas
Kansas Fireworks Association
Equal Entertainment Group

Kansas On-Premise Licenses



February 8, 2016



Total: 2,408 On-Premise Licenses

The data used for this map was derived from the Kansas Department of Revenue, Alcoholic Beverage Control Division, Liquor Licensing Database.

Barton	Bell Kaiser LLC	Mo's Place	1908 Elm Street	Beaver
Butler	Walnut River Brewing Company LLC	Walnut River Brewing Company	111 W Locust Avenue	El Dorado
Cherokee	Belleville Brewing Company LLC	Belleville Brewing Company	119 W 6th Street	Galena
Douglas	23rd Street Brewery Acquisition LLC	23rd Street Brewery	3512 Clinton Parkway	Lawrence
Douglas	Duck Butter Drilling Inc	Henry Ts	807 E 23rd Street	Lawrence
Douglas	Duck Butter Drilling Inc	Henry Ts	3520 W 6th Street	Lawrence
Douglas	Free State Brewing Co Inc	Free State Brewing Co	1923 Moodie Road	Lawrence
Douglas	Free State Brewing Co Inc	Free State Brewing Co	636 Massachusetts Street	Lawrence
Ellis	Defiance Brewery LLC	Defiance Brewery	PO Box 429	Hays
Ellis	Gellas Diner & Liquid Bread Brewing Company	Gellas Diner & Liquid Bread Brewing	117 E 11th Street	Hays
Johnson	Brew Lab LLC	Brew Lab	7933 Marty Street	Overland Park
Johnson	Granite City of Kansas Ltd	Granite City Food & Brewery	15085 W 119th Street	Olathe
Leavenworth	Grinders High Noon LLC	Grinders Pizza	206 Choctaw Street	Leavenworth
Lincoln	Fly Boy Brewery LLC	Props & Hops Brewing	105 N Main Street	Sylvan Grove
Lyon	Radius Brewing Company LLC	Radius Brewing Company	610 Merchant Street	Emporia
Mcpherson	Three Rings Brewery LLC	Three Rings Brewery	536 S 81 Bypass	McPherson
Miami	RCBC LLC	Red Crow Brewing Company	20561 S Lone Elm Road	Spring Hill
Mitchell	Plum Creek Restaurant LLC	Plum Creek Restaurant	121 W Court Street	Beloit
Riley	Little Apple Brewing Company Inc	Little Apple Brewing Company	1110 Westloop Place	Manhattan
Riley	Tallgrass Brewing Company	Tallgrass Brewing Company	5960 Dry Hop Circle	Manhattan
Riley	Tallgrass Tap House LLC	Tallgrass Tap House	320 Poyntz Avenue	Manhattan
Saline	Blue Skye Brewery & Eats LLC	Blue Skye Brewery & Eats	116 N Santa Fe Avenue	Salina
Sedgwick	Central Standard Brewing LLC	Central Standard Brewing	156 S Greenwood Street	Wichita
Sedgwick	Central Standard Brewing LLC	Central Standard Brewing	218 S Pattie Street	Wichita
Sedgwick	Granite City of Kansas Ltd	Granite City Food & Brewery	2661 N Maize Road	Wichita
Sedgwick	Granite City of Kansas Ltd	Granite City Food & Brewery	2244 N Webb Road	Wichita
Sedgwick	Henry K Sanford	Hank is Wiser	213 N Main Street	Cheney
Sedgwick	Hopping Gnome Brewing Company LLC	Hopping Gnome Brewing Company	1710 E Douglas Avenue	Wichita
Sedgwick	INBREWCO LLC	Aero Plains Brewing	117 N Handley Street	Wichita
Sedgwick	Third Place Brewing LLC	Third Place Brewing	630 E Douglas Street	Wichita
Sedgwick	Wichita Brewing Company East LLC	Wichita Brewing Co & Pizzeria	535 N Woodlawn Street	Wichita
Sedgwick	Wichita Brewing Company LLC	Wichita Brewing Co & Pizzeria	8815 W 13th Street Suite #100	Wichita
Sedgwick	Wichita Brewing Company Production LLC	Wichita Brewing Co	727 E Osie Street	Wichita
Sedgwick	Wichita Hopps LLC	River City Brewing Company	150 N Mosley Street	Wichita
Shawnee	Duck Butter Drilling Inc	Henry Ts	1521 SW 21st Street	Topeka
Shawnee	Fat Back Brewing Associates Inc	Norsemen Brewing Company	828-830 N Kansas Avenue	Topeka
Shawnee	Happy Basset Brewing Company	Happy Basset Brewing Company	6044 SW 29th Street	Topeka
Shawnee	Tiger Enterprises Inc	Blind Tiger Brewery	417 SW 37th Street	Topeka
Washington	Kansas Territory Brewing Co Inc	Kansas Territory Brewing Co	310 C Street	Washington
Wyandotte	Granite City of Kansas Ltd	Granite City Food & Brewery	1701 Village West Parkway	Kansas City

2016 Economic Contribution of America's Beer, Wine & Spirits Retailers: Kansas¹

DIRECT IMPACTS			
	JOBS	WAGES	ECONOMIC IMPACT
On-Premise Retailers	45,155	\$971,049,900	\$2,027,927,000
Off-Premise Retailers	3,752	\$106,523,700	\$243,874,200
Total Direct Impacts	48,907	\$1,077,573,600	\$2,271,801,200
SUPPLIER IMPACTS			
Agriculture	1,445	\$42,833,900	\$366,011,300
Business & Personal Services	2,414	\$148,432,100	\$301,341,300
Construction	154	\$8,216,800	\$25,510,000
Finance, Insurance & Real Estate	1,130	\$43,389,800	\$245,973,700
Government	202	\$15,398,500	\$32,014,200
Manufacturing	871	\$50,197,200	\$419,042,800
Mining	213	\$7,079,000	\$47,481,900
Retailing	529	\$13,023,800	\$40,451,200
Transportation & Communication	767	\$53,673,200	\$232,046,100
Travel & Entertainment	464	\$8,187,200	\$25,123,300
Wholesaling	344	\$27,725,300	\$81,285,300
Other	0	\$0	\$0
Total Supplier Impacts	8,533	\$418,156,800	\$1,816,281,100
INDUCED IMPACTS			
Agriculture	764	\$19,567,600	\$188,400,300
Business & Personal Services	5,356	\$260,982,800	\$505,954,400
Construction	163	\$8,638,800	\$27,481,100
Finance, Insurance & Real Estate	1,603	\$74,915,900	\$492,719,300
Government	153	\$10,753,500	\$32,783,000
Manufacturing	669	\$44,139,000	\$369,033,800
Mining	265	\$8,285,200	\$58,104,700
Retailing	1,763	\$52,892,400	\$136,211,200
Transportation & Communication	713	\$52,089,300	\$243,191,600
Travel & Entertainment	2,011	\$40,209,200	\$123,853,800
Wholesaling	394	\$31,700,800	\$93,094,100
Other	195	\$3,285,700	\$7,047,800
Total Induced Impacts	14,049	\$607,460,200	\$2,277,875,100
Total Economic Impact	71,489	\$2,103,190,600	\$6,365,957,400

FISCAL IMPACTS	
	BUSINESS TAXES
Federal Taxes	\$453,222,100
State Taxes	\$320,018,600
Total Taxes	\$773,240,700

Report: State - All Jobs Both

¹ All jobs in on-premise full-service restaurants and drinking places, as well as all jobs in off-premise package stores, are included as these businesses depend on the sale of alcohol for a substantial portion of their revenues and profits. In all other locations, this analysis examines on- and off-premise retail alcohol beverage sales accounting for full time and equivalent jobs related solely to the sale of alcohol.

ECONOMIC IMPACT of Direct Retail Alcohol Beverage Sales In Kansas

ECONOMIC IMPACT



In Kansas, the direct retail sales of the beverage alcohol industry are responsible for \$5.78 billion in total economic activity.¹

JOBS



Establishments that sell alcohol employ as many as 45,155 people in Kansas, and generate an additional 20,523 jobs in supplier and ancillary industries.²

WAGES



Businesses selling alcohol in Kansas, along with their supplier and ancillary industries, pay \$1.90 billion in wages and benefits each year. This amounts to an average of \$29,000 in wages and benefits.

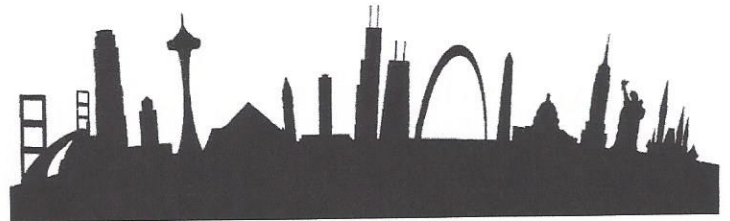
TAXES



In Kansas, the industry and its employees pay over \$282.00 million in state and local taxes, and an additional \$408.60 million billion in federal taxes.

NATIONAL IMPACT

Establishments that sell beverage alcohol in the United States are an important part of the national landscape and economy, employing as many as 5,659,226 people across the United States and generating an additional 2,613,916 related jobs. Beverage alcohol retailers, along with the companies that provide supplies and materials for the industry, provide good wages and benefits, pay significant amounts in tax to local, state and federal governments, and contribute billions to the economy every year.



BEVERAGE LICENSEES

Beer, wine and spirits retailers are the local face of the hospitality industry and are the last to handle beverage alcohol products before they reach consumers. An integral link in the Three-Tier System of suppliers, distributors and retailers, beverage licensees promote the responsible use of industry products. They engage with local, state and federal officials on the policies and regulations that affect their businesses, while continuing to provide an unprecedented variety of products and high-quality service to their customers.

¹ John Dunham & Associates. 2016 Economic Impact Study of America's Beer, Wine and Spirits Retailers. New York, July 2016.

² All jobs in on-premise full-service restaurants and drinking places are included as these businesses depend on the sale of alcohol for a substantial portion of their revenues and profits. In all other locations, this analysis examines on-premise retail alcohol beverage sales accounting for full time and equivalent jobs related solely to the sale of alcohol.