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Statement of Brad Smoot
Legislative Counsel
Distilled Spirits Council
Senate Assessment and Taxation Committee
Regarding 2017 SB 175
February 13, 2017

Madam Chair and Members:

I am Brad Smoot, appearing today on behalf of the Distilled Spirits Council to express the Council's concerns about the proposed 100% increase in alcohol enforcement taxes. The Distilled Spirits Council is composed of 150 of America's leading distillers of all sizes, accounting for 70% of the spirits sold in the United States. Our products are sold by retail package stores as well as beverage and food establishments. The availability of our products accounts for 1.2 million jobs in the U.S., including thousands in Kansas, mostly the hardworking employees in the hospitality industry.

We asked David Ozgo, the Senior Vice President and Chief Economist for the Council to analyze the Kansas proposal to increase the enforcement tax from the current 8% to 16% as proposed by the Governor. Mr. Ozgo provided these facts and observations:

*Distilled Spirits are already one of the most heavily taxed products sold to the American public. Approximately 54% of every sale of distilled spirits goes to taxes and fees. The affect of these burdensome federal, state and local taxes on alcoholic beverages is that government collects over \$2 in taxes for every \$1 that the industry (suppliers, wholesalers, retailers and restaurants) earn in profit. In short, government is already an unequal partner in the alcohol beverage business.

*Doubling the Kansas enforcement tax will decrease sales because consumers react to higher prices, resulting in lost retail sales and jobs. The Kansas Department of Revenue has historically acknowledged in its revenue calculations that tax increases will result in fewer purchases within the state and a tendency of purchasers to buy out of state where taxes are lower. That is particularly a problem along our eastern border with Missouri.

*The Distilled Spirits Council estimates that the proposed taxes will increase the price of a typical bottle of spirits by 5.5%; result in the loss of more than \$80 million in sales and the loss of 1,130 Kansas jobs.

In summary, doubling the alcohol enforcement tax from 8% to 16% is a very bad idea for Kansas consumers and Kansas workers. It's a bad idea for a state economy that is struggling. In our view, the only folks that will benefit from this proposed tax increase live or work in Missouri or other border states. We urge you to reject this harmful tax hike. I will be pleased to stand for questions. Thank you.