



Kansas Beer Wholesalers Association
100 SE 9th Street, Suite 100
Topeka, KS 66612

Jason Watkins
Executive Director

February 13, 2017

Madame Chair and Members of the Committee,

On the behalf of the Kansas Beer Wholesalers Association (KBWA), thank you for the opportunity to offer testimony in opposition S.B. 175 regarding the governor's proposal to double the liquor enforcement tax. The KBWA stands in strong opposition to this 100% increase in the liquor enforcement tax.

Increasing the liquor enforcement tax from 8% to 16% is a 100% increase in the tax. This action would result in job losses at a time when the state can least afford to be shedding jobs. Attached to my testimony is an economic impact report from John Dunham & Associates. Dunham is a highly respected economist with vast experience in the beverage industry.

According to his analysis, this 100% increase would lead to the elimination of 1,474 jobs in the state simply as a result of the tax increase. Roughly 681 retail jobs alone would be shed. With 64,007 people already struggling to find jobs in this state, now is not the time to enact job killing tax increases on alcohol. History has proven these estimates to be true. In 1991 the federal government increased the federal excise tax. 60,000 jobs were lost nationally.

This increase would raise prices on a case of beer by approximately \$2.38 per case or \$0.59 per six-pack. Based on Dunham's interstate demand model, beer sales would decline by 169,732 barrels or 2.34 million cases.

Most notably, by the administration's own admission, this extraordinary tax increase would reduce alcohol sales by 11.2% annually. It is unconscionable to think Kansas government would knowing and intentionally take an action that would cause such large sales losses within its business community.

In addition, the KBWA opposes this tax increase because it is actually a tax increase on the hardworking men and women who purchase our products. There is little argument that this tax would impact many Kansans, several of which can least afford a tax increase.

We also have serious concerns with cross-border sales. Kansas liquor taxes are already high. Certainly higher than in Missouri, where many Kansas residents

are already heading to buy beer, wine and spirits. A recent article in the Kansas City Star reported on how ABC agents used to look for Kansas license plates in parking lots of Missouri liquor stores and then write citations when Kansans returned home. Thankfully, this practice has ceased, but it none-the-less highlights that we are already losing sales and tax revenue to bordering states due to our high alcohol taxes.

Kansas beer distributors, craft brewers, liquor retailers, and on premise retailers are good corporate citizens, job creators, tax collectors for the state and a vital part of the overall Kansas economy. This massive 100% increase would harm a growing Kansas industry at a time when the state needs as many growth industries as it can get. We ask that you say no to increasing taxes on job creators and the hardworking people of this great state!

Thank you,

A handwritten signature in black ink, appearing to read "Jason P. Watkins". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

Jason Watkins
Executive Director