



February 18, 2015

To: House Taxation
From: R.E. "Tuck" Duncan, Kansas Wine & Spirits Wholesalers Association
RE: HB2306

The Kansas Wine & Spirits Wholesalers oppose HB2306 — Increasing rates of taxation on cigarettes, tobacco products and alcoholic beverages. This bill provides that KSA 79-4101 is to be amended to increase the liquor enforcement tax by 50% from 8% to 12%. Percentage taxes are regressive and those least able to afford them are adversely affected the most.

- The 12% tax rate will motivate Kansans to make liquor purchases in Missouri where taxes on liquor, cigarettes and gas are lower. For example:

Kansas Enforcement tax: if HB2306 is approved: 12%
 Kansas City Missouri: MO state 4.225% + Jackson County 1.250% + KC 2.875% =
 Total 8.350%, ***That's a 3.65 differential.***

- There are 4 levels of liquor tax already – the enforcement tax is not the only liquor tax.

On spirits: Federal tax \$13.50 proof gallon /typical 80 proof liter (.264) = \$ 2.85
 State Gallonage tax \$2.50 liquid gal, on a liter = .66
 8% enforcement tax on average \$15.00 liter of spirits = 1.20
 10% drink tax on liter (33 drinks @ \$3.50 drink) = 11.55
TOTAL TAXES generated on a \$15.00 liter of spirits = \$16.26
Few other products have as many levels of taxation.

- All wines and spirits and beers purchased by restaurants and bars are subject to the enforcement tax. This increase will be a 4% increase on the cost of goods sold for these businesses, many of which are classified as small businesses, and will be passed on to consumers.

Recently we distributed an article that stated: Missouri retailers relish the prospect of higher taxes on smokes and booze in Kansas. Consistently Kansas consumers have paid more liquor taxes each year over the prior year. Recent collections are:

Liquor Tax Revenue

Tax Type	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (6 months)
Gallonage Spirits	9,542,052	10,039,513	11,088,716	10,225,181	5,359,388
Gallonage - Beer	8,325,291	7,771,742	7,522,175	8,172,990	4,208,732
Gallonage - CMB	1,905,212	2,081,419	1,855,093	1,685,221	821,348
Gallonage - Wine	1,363,314	1,735,929	1,555,781	1,818,040	893,158
Liquor Enf. 8%	56,224,767	58,878,961	60,561,426	64,538,260	33,467,222
Liquor Drk 10%	36,050,400	38,158,615	39,258,226	40,619,417	20,597,675
Total Taxes	\$113,411,036	\$118,666,179	\$121,841,417	\$127,059,109	\$65,347,523

*There is no justification for this tax increase on a product that is already heavily taxed.
 Thank you for your attention to this matter.*