

Alcohol industry fights 'sin tax' hike

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The beer and spirits industry is looking to the November ballot for protection after squelching a "sin tax" proposed by Phoenix Children's Hospital.

Alcohol distributors and producers are pushing a ballot measure that would make it harder for Arizona voters to raise taxes.

Proposition 105 would require future tax increases and spending initiatives to be approved by a majority of the state's 2.8 million registered voters -- not just a majority of those actually voting in that election.

Past ballot measures have increased taxes on cigarettes, earmarking that money for children's programs. The beer, wine and liquor lobby worries it could be next.

Financial supporters of the "Majority Rules" initiative include the Arizona Licensed Beverage Association, Beer & Wine Distributors of Arizona, Hensley & Co., Anheuser-Busch Cos. Inc., Crescent Crown Distributing Inc. and Golden Eagle Distributors Inc.

A lead backer outside the industry is Tempe-based MJKL Enterprises, which owns a number of Carl's Jr. restaurant franchises. Scottsdale-based Services Group of America and some fiscal conservatives also favor Majority Rules.

Steve Barclay, executive director of the Beer & Wine Distributors, said Prop. 105 offers more fiscal discipline for the state's initiative process.

"Far too often today, the ballot is cluttered with initiatives to increase our taxes and spend more money for narrowly focused special interests."

Don Isaacson, Arizona Licensed Beverage Association lobbyist, said businesses worry about the initiative process because it can lead to large spending and tax increases. Voter-approved measures cannot be touched by the Legislature, even in times of budget deficits.

"Liquor has a special exposure because in many people's minds ... it's a sin tax. It can absorb unlimited increases," said Isaacson. "That's just not the case."

The sector already faces bottom-line hardships prompted by inflation and shaky consumer spending, he said.

Hensley -- one of the nation's largest Anheuser-Busch product distributors, chaired by Cindy McCain - referred questions to the Beer & Wine Distributors of Arizona.

The liquor lobby stalled a recent measure floated by Phoenix Children's Hospital that would have raised state beer, wine and liquor taxes and dedicated the funds to health programs for children and the uninsured.

"The industry leadership made it clear that they would financially oppose any attempt to ask the voters to potentially raise Arizona's alcohol taxes, which have remained at the same level for the past 24 years," said PCH spokeswoman Debra Stevens. There are no discussions at PCH about proposing a similar tax increase on a future ballot, she said.

Jason Rose, president of Rose Allyn Public Relations, which represents liquor maker Diageo PLC, said restaurants, alcohol producers and distributors helped squelch possible tax increases by promising strong opposition.

"It was a concerted effort," he said. "They weren't going to lay down."

Rose said liquor businesses did not want to see a repeat of 2006's Prop. 203, which raised cigarette taxes by 80 cents a pack with limited opposition from tobacco companies. State cigarette taxes now are \$2 a pack -- the sixth-highest in the U.S.

Rose said Diageo, the Arizona Restaurant & Hospitality Association, Hensley and others told PCH they would fight the "Healthy Arizona Kids" measure. He said Diageo, whose brands include Guinness beer, Smirnoff vodka and Captain Morgan rum, is not part of the Prop. 105 push.

The PCH proposal looked to increase state alcohol taxes, which now stand at 16 cents per gallon on beer, 84 cents on wine and \$3 on distilled spirits.

Arizona's beer and spirits taxes are below the U.S. median rates of 19 cents and \$3.75 per gallon, respectively, according to the Washington-based Federation of Tax Administrators. Arizona's 84-cent wine tax is higher than the national median of 69 cents.

Opponents to Prop. 105 include the Arizona Education Association, Children's Action Alliance, Arizona School Boards Association and Arizona Hospital & Health Care Association, who say it would hamstring voters. They also call the measure "undemocratic," as nonvoters essentially would be counted as "no" votes.

"It's just wrong to count people who don't vote, and that's unfair," said John Wright, president of the Arizona Education Association. The measure could spawn similar referendums in other states, he said.

Critics promise to challenge the measure in court if it passes.