

Policy Analysis

Sunday Sales and Minnesota

Allowing sale of beverage alcohol on Sunday in Minnesota would give customers added convenience and lead to increased revenues for the Minnesota State Treasury. In fact, the Distilled Spirits Council estimates that Sunday sale of beer, wine and distilled spirits would generate between \$10.8 and \$15.1 million in new tax revenues for the state.

I. Customer Convenience and Impulse Buying

It can be argued that, because a bottle of spirits, a case of beer or bottle of wine might last a week or even months, weekly purchasing opportunities do not matter. However, just as multiple distribution channels are now more important than ever in the consumer packaged goods industry, so too are multiple *purchasing* opportunities. Consider the following:

- For the important 35-54 year old demographic cohort, Sunday is the second most important grocery shopping day of the week. Some 16% of 35-54 year olds do their grocery shopping on Sundays. Since over 43% of total distilled spirits consumers fall into this age category, it means that the distilled spirits industry is denied access to at least 7% of our customer base.
- An A.C. Nielsen study concluded that shoppers are more likely to buy on impulse on weekends than on Monday-Friday. By limiting beverage alcohol sales to Saturdays only, the amount of impulse susceptible exposure time is cut in half.
- Shoppers tend to spend more on Sundays than any other day of the week. While the typical grocery basket contains only \$23.27 of goods Monday-Saturday, the Sunday basket has \$28.23 – 21% more than other days of the week.

Thus, Sunday has become an important shopping day in the American economy because of the convenience customers enjoy when shopping on the weekend.

II. Benefits to Minnesota

Not only would customers benefit from Sunday in Minnesota, but the state would benefit as well. Currently, the combination of high excise taxes and limited shopping opportunities depress state sales. Many potential customers either do not buy at all, or simply make their purchases in neighboring states.



- By opening on Sundays, it is estimated that Minnesota sales volume would increase by an estimated 5% to 7% annually. This increased volume would translate into an estimated \$81.8 to \$114.5 million in new retail sales.
- Naturally, the State Treasury benefits from these incremental sales. Minnesota collects both excise and sales taxes on bottle of beer, wine or spirits sold. These new sales would be worth an estimated \$10.8 to \$15.1 million in new direct tax revenues.
- These estimates are described in detail in Appendix A.

Appendix A

Estimate of Minnesota Revenues from Sunday Sale of Spirits

1) Base Volumes and Revenues

Table 1 presents base case volumes and tax revenues. Only off premise volumes will be used.

	Base Case Data							
	3.2 Beer	Beer	Cider	Wine	Strong Wine	Sparkling Wine	Spirits	Total
	Volumes and Excise Taxes (In Thousands)							
Excise Tax ¹	\$288	\$15,824	\$75	\$3,789	\$602	\$951	\$58,566	\$80,095
Off Premise	\$219	\$12,010	\$61	\$3,062	\$486	\$768	\$45,506	\$62,112
On Premise	\$69	\$3,814	\$14	\$727	\$116	\$183	\$13,060	\$17,983
Volume	Barrels	Barrels	Liters	Liters	Liters	Liters	Liters	
Excise Tax Rate	\$2.40	\$4.60	\$0.04	\$0.08	\$0.25	\$0.48	\$1.33	
Volume Sold	120	3,440	1,875	47,363	2,408	1,981	44,035	
Off Premise ²	91	2,611	1,515	38,269	1,946	1,601	34,215	
On Premise	29	829	360	9,094	462	380	9,820	
	Base Case Sales Taxes (In Thousands)							
Distribution ³	2.0%	46.3%	0.3%	13.2%	0.5%	0.7%	37.0%	
Total Sales Tax	\$5,842	\$132,795	\$986	\$37,747	\$1,419	\$1,942	\$105,978	\$286,710
Retail Sales 6.875%	\$5,842	\$97,383	\$723	\$27,681	\$1,040	\$1,424	\$77,717	\$211,812
Off Premise ⁴	\$3,161	\$52,684	\$408	\$15,612	\$587	\$803	\$37,848	\$111,103
On Premise	\$2,681	\$44,699	\$315	\$12,069	\$454	\$621	\$39,869	\$100,708
Retail Sales 2.5%	\$0	\$35,412	\$263	\$10,066	\$378	\$518	\$28,261	\$74,898
Off Premise ⁴	\$0	\$19,158	\$148	\$5,677	\$213	\$292	\$13,763	\$39,252
On Premise	\$0	\$16,254	\$115	\$4,389	\$165	\$226	\$14,498	\$35,646
	Base Case Implied Retail Revenues (In Thousands)							
Total Revenues ⁵	\$84,975	\$1,416,479	\$10,521	\$402,637	\$15,131	\$20,716	\$1,130,436	\$3,080,895
Off Premise	\$45,971	\$766,315	\$5,934	\$227,087	\$8,534	\$11,684	\$550,522	\$1,616,048
On Premise	\$39,003	\$650,164	\$4,587	\$175,550	\$6,597	\$9,032	\$579,914	\$1,464,847
	Base Case Total Tax Revenues (In Thousands)							
Off Premise	\$3,379	\$83,852	\$617	\$24,351	\$1,286	\$1,864	\$97,117	\$212,467
Excise Taxes	\$219	\$12,010	\$61	\$3,062	\$486	\$768	\$45,506	\$62,112
Sales Taxes	\$3,161	\$71,842	\$556	\$21,289	\$800	\$1,095	\$51,611	\$150,355
On Premise	\$2,751	\$64,766	\$444	\$17,185	\$734	\$1,029	\$67,427	\$154,338
Excise Taxes	\$69	\$3,814	\$14	\$727	\$116	\$183	\$13,060	\$17,983
Sales Taxes	\$2,681	\$60,953	\$430	\$16,458	\$618	\$847	\$54,367	\$136,354
Total Taxes	\$6,130	\$148,619	\$1,061	\$41,536	\$2,021	\$2,893	\$164,544	\$366,805

¹ Excise tax collections for FY2012 provided by the Minnesota Department of Revenue

² Off and on premise volume percentages were taken from Adams Liquor Handbook - 2013, p. 36

³ Percentages were derived from Adam's Liquor Handbook by applying the method used

by the Special Taxes Division of the Minnesota Department of Revenue in its 2003 Minnesota Legislature Report:

⁴ Off and on premise revenue percentages were taken from Adams Liquor Handbook -2013, p. 37

⁵ Retail Revenues were calculated by dividing sales tax revenues generated from the 2.5% sales tax by 0.025.

1) Cross Border Volume.

To estimate how much new volume Minnesota can expect from allowing off-premise retailers to be open on Sundays, we first must determine current off-premise consumption for Minnesota State residents.

However, Minnesota residents do not make all of their spirits purchases within the state. Many will cross state lines to make purchases in bordering states. A study done by Charles W. de Seve, the former Director of Tax and Fiscal Studies for the New York Assembly found that cross border purchases of Minnesota residents are about 3.1% of the state's taxed sales.¹ And, a study conducted by the Tax Foundation found that 0.3% of beer consumed by Minnesotans is purchased out of state.² Minnesota residents will cross into bordering states to make purchases for one of two reasons; price or accessibility. It is, therefore, likely that if Minnesota stores were to open on Sunday, some of these out-of-state shoppers would be attracted back. Table 2 adjusts Minnesota's current off premise spirits and beer volumes to account for cross border sales.

Table 1

Calculation of Total Off Premise Volume (In Thousands)

Beverage	Unit	Off Premise Volume Purchased In- State	Cross Border Imports	Total Off- Premise Volume
3.2 Beer	Barrels	91		91
Beer	Barrels	2,611	8	2,619
Cider	Liters	1,515		1,515
Wine	Liters	38,269		38,269
Strong Wine	Liters	1,946		1,946
Sparkling Wine	Liters	1,601		1,601
Spirits	Liters	34,215	1,088	35,303

2) Incremental volume from Sunday sales

There are multiple factors that impact the level of per capita spirits volume in a state. Varying excise tax rates impact the retail shelf price. Different income levels will determine the amount of discretionary income. Various social and demographic factors will also

¹ De Seve, Charles. "Permitting Sunday Liquor Sales in New York Will Add Jobs and Increase State Tax Collections," American Economics Group, Inc., April, 2002.

² Moody, J. Scott and Warcholik, Wendy, "How Tax Competition Affects Cross-Border Sales of Beer in the United States," Background Paper No. 44, March 2004, Tax Foundation, Washington, D.C.

heavily influence the likelihood of purchase. Previous econometric studies have estimated that Sunday sales would increase spirits volumes by 7%³ to 11.5%⁴

However, much stronger evidence comes from the recent experience of four states that began allowing Sunday sales in the past two years. Dr. Donald Boudreaux, Chairman of the prestigious Economics Department at George Mason University, conducted an analysis of Pennsylvania, New York, Oregon and Delaware.⁵ He found that stores actually opening on Sunday increased sales from 12.4 to 24.3%. Total state sales (including stores not opening on Sundays) increased between 7.1% and 11.1%.⁶ Thus, the econometric predictions have now been born out by real world examples.

To estimate the fiscal impact on Minnesota we used a conservative upper bound of a 7% volume increase and a lower bound of 5%. Table 3 below shows incremental volume for each assumption and projected retail revenue.

Table 2

Incremental Impact of Sunday Sales (In Thousands)						
Beverage	Unit	Total Off-Premise Volume	Incremental Volume		Incremental Off-Premise Retail Sales	
			5%	7%	5%	7%
3.2 Beer	Barrels	91	5	6	\$2,299	\$3,218
Beer	Barrels	2,619	131	183	\$38,431	\$53,803
Cider	Liters	1,515	76	106	\$297	\$415
Wine	Liters	38,269	1,913	2,679	\$11,354	\$15,896
Strong Wine	Liters	1,946	97	136	\$427	\$597
Sparkling Wine	Liters	1,601	80	112	\$584	\$818
Spirits	Liters	35,303	1,765	2,471	\$28,401	\$39,762
Total					\$81,793	\$114,510

New retail sales would have a projected value of \$81.8 to \$114.5 million.

³ A.C. Nielson analysis of Homescan data base. Homescan is a sample of 52,000 households across the U.S. Analysis was conducted for the Distilled Spirits Council.

⁴ DeSeve, op. cit.

⁵ Boudreaux, Donald, "Sunday Sales: A Review of Recent Developments and the Likely Impact on Washington," Prepared for the Distilled Spirits Council of the United States, Fairfax, Virginia, February 3, 2004.

⁶ The study was completed February, 2004. Though updated figures are available, they confirm the author's original conclusions. In New York, for example, total state spirits excise tax collections have grown 10.4% through February 2004 - the first 9 months after stores were allowed to open on Sundays in New York.

3) New Tax Revenues.

Minnesota would generate a projected \$10.8 to \$15.1 million in new tax revenues from Sunday sale of beverage alcohol.

Table 3

New Tax Revenues from Sunday Sales						
Beverage	Excise Taxes		Sales Taxes		Total Taxes	
	5%	7%	5%	7%	5%	7%
3.2 Beer	\$11	\$15	\$158	\$221	\$169	\$237
Beer	\$602	\$843	\$3,603	\$5,044	\$4,205	\$5,887
Cider	\$3	\$4	\$28	\$39	\$31	\$43
Wine	\$153	\$214	\$1,064	\$1,490	\$1,218	\$1,705
Stong Wine	\$24	\$34	\$40	\$56	\$64	\$90
Sparkling Wine	\$38	\$54	\$55	\$77	\$93	\$130
Spirits	\$2,348	\$3,287	\$2,663	\$3,728	\$5,010	\$7,014
Total	\$3,180	\$4,452	\$7,611	\$10,655	\$10,790	\$15,106