

Tax Trumping

✖ As RI liquor stores continue to suffer losses, legislators & MADD debate tax free days

Take a ride down Route 6 in Seekonk and the sign is tough to ignore. Huge red letters just outside one package store proclaim: “No sales tax on alcohol in Mass.”

If you live near the state line — and even if you don’t — that 7 percent savings has been attractive for Rhode Islanders who are barraged with high taxes from seemingly everywhere.

While nobody keeps officials numbers, just talk with liquor stores owners from Woonsocket to Tiverton and you’ll find their business down significantly during the past year since Massachusetts eliminated the sales tax on package store purchases.

The elimination came after the state had put a 6.25 percent on alcohol sales several years ago when it boosted the state sales tax from 5 to 6.25 percent. That caused an uproar from liquor store owners near the New Hampshire border, which has no sales tax on alcohol. It was convincing enough for lawmakers to roll back more than \$100 million in revenue they had taken in the year before from the alcohol tax.

That same hue and cry has reached Rhode Island lawmakers, who are now considering a tax-free holiday proposal with a twist: five holiday weekends and just for alcohol.

Warwick Senator William Walaska submitted a bill last month, at the request of a liquor store owner and lobbyist, that would create tax-free sales periods of a week to 10 days surrounding Memorial Day, July 4th, Labor Day, Thanksgiving and Christmas. It would apply to package store sales only — not bars or restaurants.

“This legislation is just an attempt to put them on an even keel somewhat, at least on some holidays when there’s some significant alcohol sales so they can recoup some of that revenue,” Walaska tells The Hummel Report.

But the proposed legislation has also caught the attention of the Rhode Island chapter of Mothers Against Drunk Driving, whose executive director Gabrielle Abate says Rhode Island has already had 10 driving fatalities this year. She said the organization is not anti-alcohol per se or anti-business, but she questions making the sales of alcohol more attractive around periods when people tend to drink more anyway.

“I guarantee you (Rhode Island is) unique,” Abate says. “There’s no other state that’s looking to do this, specific to those holidays the way that bill is written, which in itself is a little bit scary. Because we already have one of the highest incidents of drunk driving fatalities and serious injuries across the country.”

State Rep Jan Malik owns a liquor store in Warren, 2 1/2 miles from the Massachusetts border. Malik had no role in the proposed legislation and didn’t know about the bill until we brought it to his attention.

“I mean a bill like this, I just see it as putting a Band Aid on a problem,” Malik says, reviewing the legislation. “That’s myself. It’s nice to see we’re going to be competitive for those five holidays, but what about the rest of the year? I’m not just in business for those holidays, I’m in business for the whole year. And I honestly think in the state of Rhode Island, if we want to play like a regular state, with the big boys, we should look at stuff to be competitive with Massachusetts and the neighboring state of Connecticut.”

Sen. Walaska says he needs some questions answered before he supports the bill. The primary one is the economic effect on the state. He says a tax-free holiday would cost the state money, but increased sales may help offset the loss because liquor store owners pay taxes on profits.

Abate says it’s all about the statistics.

"We're equating increased consumption levels at a time when we know there are increased incidents of drunk driving. That's what we're concerned about," Abate says.

Malik says it's just not alcohol, but lower taxes on gasoline in Massachusetts as well that are hurting Rhode Island businesses near the border.

"It all comes down to paying taxes to the government," Malik says. "If people can find a way not to pay them, they're not going to pay them. They're don't care that I'm the local liquor store, or the Woonsocket's store is the local one, if they can save a buck, plus beat the government, they'll do it."

Hummel: Which do you think would bring in more customers, if you say we're cutting our prices 10 percent on everything, or if they said you can get the alcohol tax free?

Malik: Alcohol tax free. I mean, it's a no brainer.

Malik also wears another hat in this debate. He is on the House Finance committee. Any tax-free holiday he says, forces some other tough decisions at the General Assembly.

"When we take money out of the pot we usually have to find a way to put some money in; where it's going to come from I have no idea," he says.

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