

**THE ECONOMIC IMPACT
OF A1325 / S2009
ON NEW JERSEY**

The subsequent charts graphically illustrate the findings of the *“Economic Analysis of New Jersey A1325 / S2009 – Impact on Market Structure and Related Effects”* prepared by the Grand Institute of Mount Laurel, New Jersey – June 2012.

The analysis determined that the legislation would have the following adverse impacts on the state:

- Reduced income subject to taxation from alcoholic beverage sales.
- Creates probable job loss.
- Over saturate an already robust market.
- Not achieve the objectives advocated by proponents of the legislation unless demand for alcoholic beverages vastly exceeds projections.

STATE INCOME TAX REVENUE IMPLICATIONS

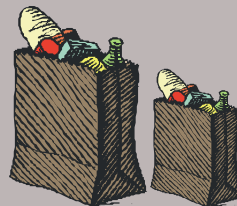
- Big Box Grocery Store industry has annual sales grossing \$ 15B.
- Big Box Grocery Stores annual income subject to taxation is only \$ 165M or 1% of their annual gross.
- Big Box Grocery industry is 12x larger than the Independent Liquor Store Industry but only has 1.5x larger net taxable income.
- Independent Liquor Store industry has annual sales grossing \$ 1.2B.
- Independent Liquor Stores annual income subject to taxation is \$ 95M or 8.5% of their annual gross.
- The Independent Liquor Store industry is 12x small than the Big Box Grocery Industry.



Big Box Grocery Stores have
12x LARGER GROSS SALES
than Independent Liquor Stores



Big Box Grocery Stores only have
1.5x LARGER INCOME
SUBJECT to TAXATION



STATE INCOME TAX REVENUE IMPLICATIONS INDEPENDENT LIQUOR STORES IN A \$10.4 MILLION MARKET

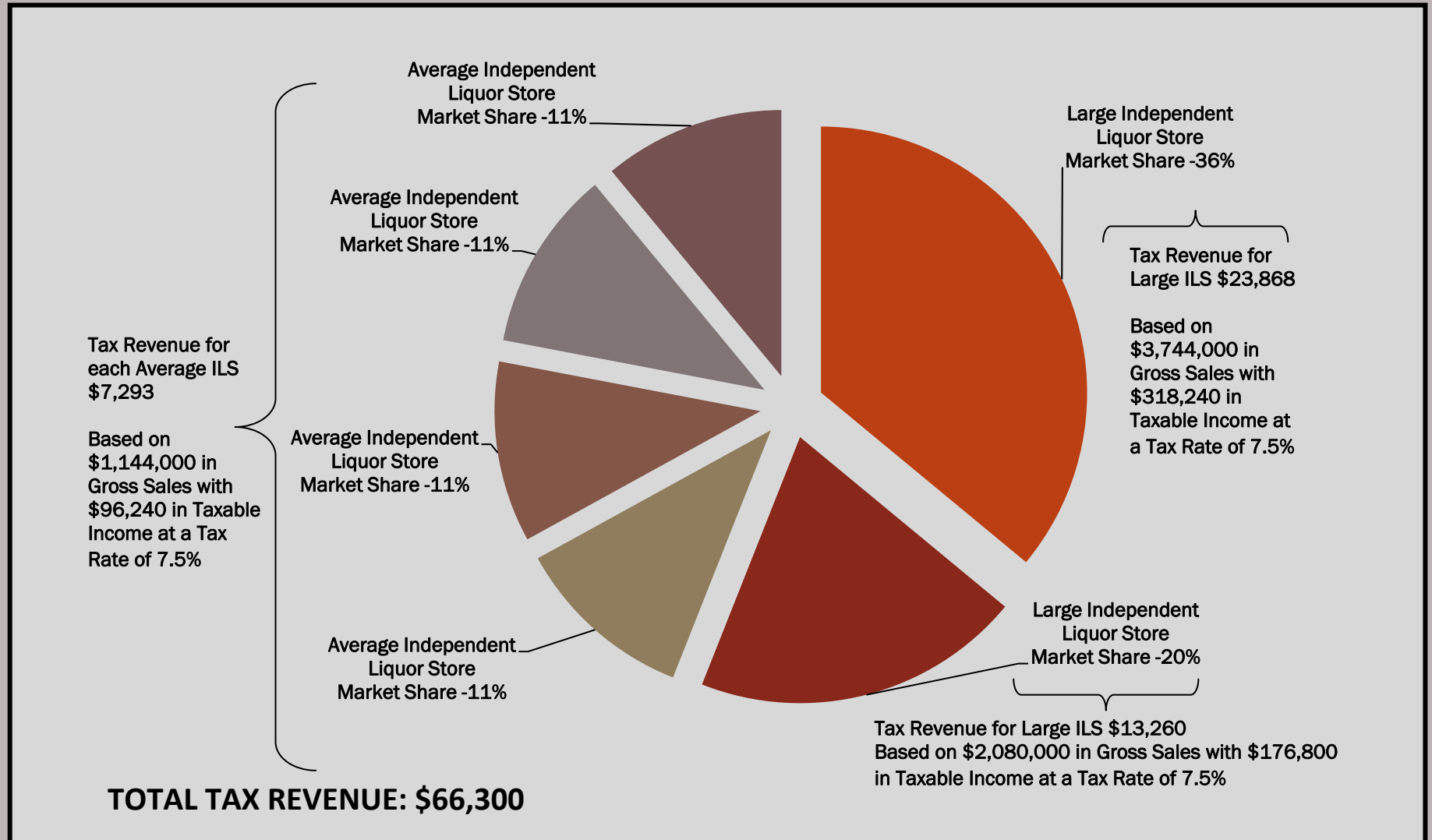
(Based on 30,000 Households spending \$346. annually)

	LARGE INDEPENDENT LIQUOR STORE	LARGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	SUMMARY TOTALS
MARKET SHARE	36%	20%	11%	11%	11%	11%	100%
GROSS SALES	\$3,744,000.	\$2,080,000.	\$1,144,000.	\$1,144,000.	\$1,144,000.	\$1,144,000.	\$10,400,000.
PERCENT OF NET PROFIT	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
INCOME SUBJECT TO TAXATION	\$318,240.	\$176,800.	\$97,240.	\$97,240.	\$97,240.	\$97,240.	\$884,000.
TAX RATE	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
TAX REVENUE	\$23,868.	\$13,260.	\$7,293.	\$7,293.	\$7,293.	\$7,293.	\$66,300.

STATE INCOME TAX REVENUE IMPLICATIONS INDEPENDENT LIQUOR STORES IN A \$10.4 MILLION MARKET

(Based on 30,000 Households spending \$346. annually)

TAX REVENUE



STATE INCOME TAX REVENUE IMPLICATIONS

BIG BOX AND INDEPENDENT LIQUOR STORES IN A \$10.4 MILLION MARKET

(Based on 30,000 Households spending \$346. annually)

	BIG BOX STORE	LARGE INDEPENDENT LIQUOR STORE	LARGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	AVERAGE INDEPENDENT LIQUOR STORE	SUMMARY TOTALS
MARKET SHARE	50%	20%	10%	5%	5%	5%	5%	100%
GROSS SALES <small>(+ \$1M market expansion)</small>	\$6,200,000.	\$2,080,000.	\$1,040,000.	\$520,000.	\$520,000.	\$520,000.	\$520,000.	\$11,400,000.
PERCENT OF NET PROFIT	3.0%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
INCOME SUBJECT TO TAXATION	\$186,000.	\$176,800.	\$88,400.	\$44,200.	\$44,200.	\$44,200.	\$44,200.	\$628,000.
TAX RATE	9.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
TAX REVENUE	\$16,740	\$10,608.	\$5,304.	\$2,652.	\$2,652.	\$2,652.	\$2,652.	\$43,260
DIFFERENCE IN TAX REVENUE	\$16,740	\$26,520.						-\$23,040

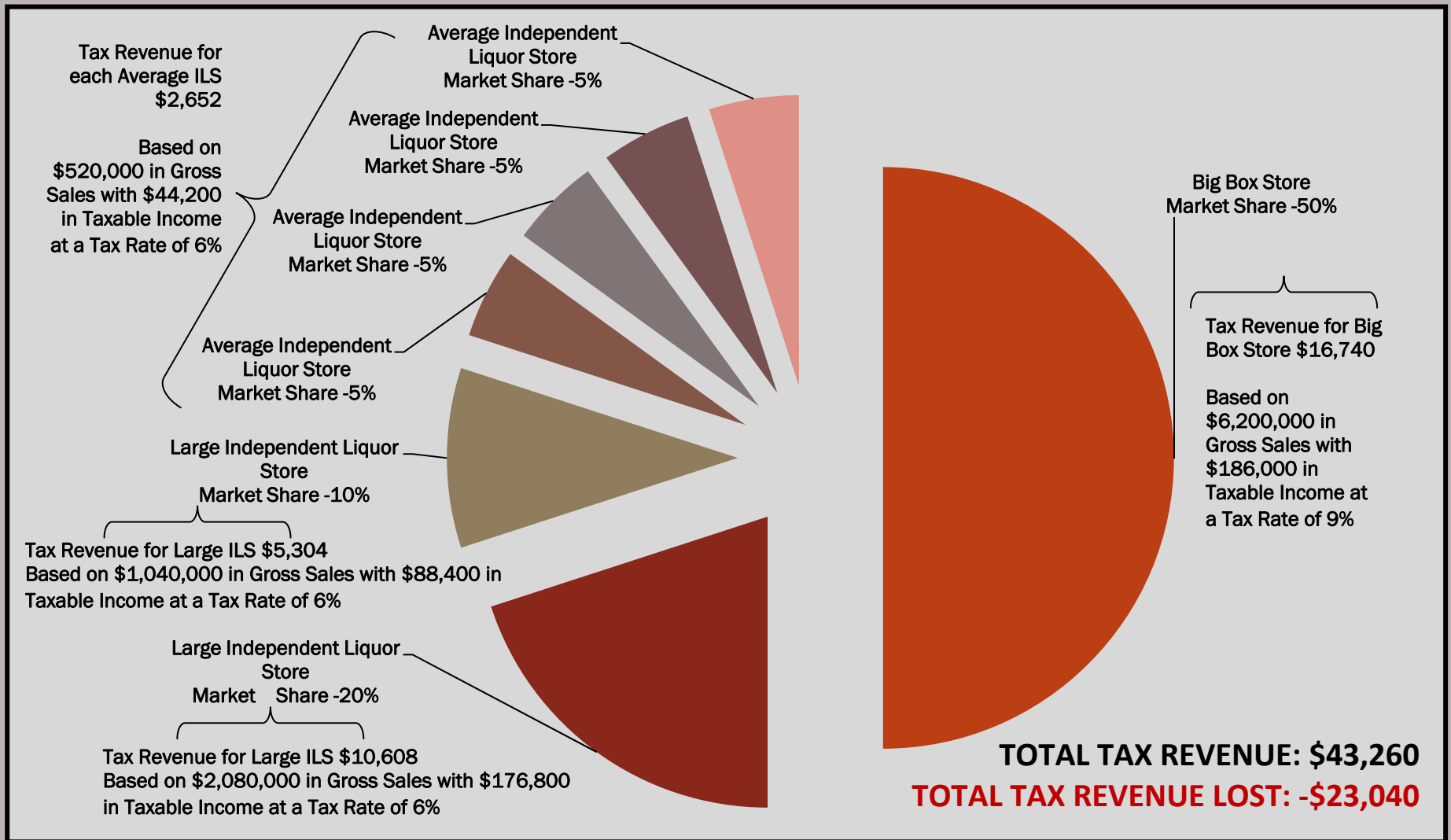
STATE INCOME TAX REVENUE IMPLICATIONS

BIG BOX AND INDEPENDENT LIQUOR STORES IN A \$10.4 MILLION MARKET

(Based on 30,000 Households spending \$346. annually)

TAX REVENUE

The State of New Jersey loses a significant amount of revenue when Big Box Retailers or enter the marketplace and remove sales from Independent Liquor Stores.



MARKET SHARE AND STATE INCOME TAX REVENUE IMPLICATIONS BIG BOX AND INDEPENDENT LIQUOR STORES IN A \$10.4 MILLION MARKET

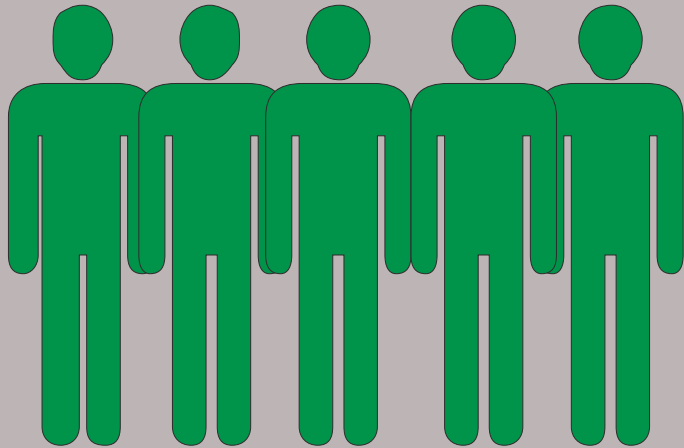
(Based on 30,000 Households spending \$346. annually)

		INCREASING BIG BOX MARKET SHARE						
		10%	20%	30%	40%	50%	60%	70%
BIG BOX STORES	Gross Sales	\$ 1.0 M	\$ 2.0 M	\$ 3.0 M	\$ 4.0M	\$ 5.0M	\$ 6.0M	\$ 7.0M
	1% Average Income Subject to Taxation	\$ 0.01M	\$ 0.02M	\$ 0.03M	\$ 0.04M	\$ 0.05M	\$ 0.06M	\$ 0.07M
	9% Corporate Tax	\$ 0.001M	\$ 0.002M	\$ 0.003M	\$ 0.004M	\$ 0.005M	\$ 0.006M	\$ 0.007M
INDEPENDENT LIQUOR STORES	Gross Sales	\$ 9.0M	\$ 8.0M	\$ 7.0M	\$ 6.0M	\$ 5.0M	\$ 4.0M	\$ 3.0M
	8.5% Average Income Subject to Taxation	\$ 0.765M	\$ 0.680M	\$ 0.595M	\$ 0.510M	\$ 0.425M	\$ 0.340M	\$ 0.255M
	7.5% Sub-S Income Tax	\$ 0.057M	\$ 0.051M	\$ 0.045M	\$ 0.038M	\$ 0.032M	\$ 0.025M	\$ 0.019M
DIFFERENCE	Cost of Market Share Transfer	\$ 0.056M	\$ 0.049M	\$ 0.042M	\$ 0.034M	\$ 0.017M	\$ 0.007M	\$ 0.007M

Note: At 50% market share, assume that the Big Box Store will realize 3% income subject to taxation, since high profit liquor sales will now offset low profit food sales. At this point the cost to the State would be less, but would be offset by the costs of a single Big Box Store vs. vibrant market of a Big Box Store and several Independent Liquor Stores, including losses of employees, rent and realty purchases, local buying power, etc. After 70% of market share for Big Box Stores, most Independent Liquor Stores will be out of business, in small competitive markets the Big Box Store may end up as the lone supplier. A monopoly similar to experienced in electronics to Best Buy; general merchandise to Walmart and Target; sporting goods to Dick's and Sports Authority; and drug stores to CVS, Rite Aid and Walgreens.

PROBABLE JOB LOSS

Based on the National Bureau of Economic Research's "Wal-Mart Study" (2007) for every 5 people hired by the Big Box stores 7 market jobs are lost. Although some of these the lost market jobs may be negated by the Box Store hiring the end result will be the loss of 2 FTE positions will be eliminated from the market place.



Big Box Retailer
5 People Hired



Neighborhood Liquor Stores
Market Job - 2 FTEs Lost

CONVENIENCE

Currently there are 2 times as many packaged liquor licenses as there are Big Box Retailers or Grocery Stores. Of the 1000 Big Box Retailers or Grocery Stores over 100 are currently either selling alcohol in their aisles or have an adjacent packaged goods store.

