

# Policy Analysis

## Sunday Sales and Connecticut

Allowing sale of distilled spirits on Sunday in Connecticut would give customers added convenience and lead to increased revenues for the Connecticut State Treasury. In fact, DISCUS estimates that Sunday sale of spirits would generate between \$1.7 and \$2.3 million in new tax revenues for the state.

### I. Customer Convenience and Impulse Buying

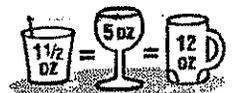
It can be argued that because a single bottle of spirits might last a distilled spirits drinker several months weekly purchasing opportunities do not matter. However, just as multiple distribution channels are now more important than ever in the consumer packaged goods industry, so too are multiple *purchasing* 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 spirits sales to Saturdays only, the amount of impulse susceptible exposure time distilled spirits customers have is cut in half.
- Shoppers tend to spend more on Sunday's 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 Connecticut

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



- By opening on Sunday's it is estimated that Connecticut sales volume would increase by an estimated 83,000 to 117,000 9-liter cases annually. This increased volume would translate into additional sales tax and excise tax revenues for the State of Connecticut.
- In fact, on a typical 750 ml bottle of spirits Connecticut collects \$0.89 in excise taxes and another \$0.78 in sales tax. From expected volume increases, then, Connecticut would collect between \$1.7 and \$2.3 million in new revenues.
- These estimates are described in detail in Appendix A.

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**Appendix A**  
**Estimate of Connecticut Revenues from Sunday Sale of Spirits**

1) Off-premise volume.

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

Sunday sales would only impact volume that is purchased through off-premise retail establishments. We therefore estimated the amount of volume that is purchased for off-premise consumption. This was done by multiplying the percentage of volume sold for off-premise consumption by total volume.

Total Volume (9-liter cases) <sup>1</sup>	2,203,260
X Off-Premise Percentage <sup>2</sup>	75.9%
= Off-Premise Volume (9-liter cases)	1,672,274

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

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.<sup>5</sup> He found that stores actually opening on Sunday increased sales from 12.4 to 19.2%. Extrapolating the Boudreaux figures to full participation (defined as 80% of all off-premise stores) the four states reviewed saw state wide volumes increase by 5.8% to 9.5%. Thus, the econometric estimates are supported by real world examples.

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<sup>1</sup> Volume was taken from Adams Liquor Handbook – 2005, Adams Business Media, Norwalk, CT.

<sup>2</sup> Adams Handbook Advance – 2005, Adams Business Media, Norwalk, CT.

<sup>3</sup> 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.

<sup>4</sup> De Seve, Charles. "Permitting Sunday Liquor Sales in New York Will Add Jobs and Increase State Tax Collections," American Economics Group, Inc., April, 2002.

<sup>5</sup> Boudreaux, Donald, "Sunday Sales: A Review of Recent Developments," Prepared for the Distilled Spirits Council of the United States, Fairfax, Virginia, November 12, 2004.

In order to not "over sell" the potential fiscal benefits of Sunday sales, we provide a lower range estimate based upon a 5% volume lift and an upper limit of 7%.

**Incremental Volume from Sunday Sales (9-liter Cases)**

	Total	Incremental Volume
Current Off-premise	1,672,274	-
5% Increase	1,755,888	83,614
7% Increase	1,789,334	117,059

3) Excise taxes and average retail value.

The State of Connecticut generates revenues in two ways from the sale of distilled spirits. First, the state applies an excise tax rate of \$4.50/gallon or, \$0.89 per 750 ml bottle. In addition, the state also collects a sales tax equal to 6% of retail value. To calculate sales tax per bottle, we multiply sales tax rate by pre-sales tax retail value of a bottle of distilled spirits sold in Connecticut.

Off-Premise Price before tax (typical price 750 ml bottle) <sup>6</sup>	\$12.99
X (State Sales Tax)	6.00%
= State sales tax per bottle	\$0.78

Thus, on the typical 750 ml bottle of spirits the State of Connecticut collects \$0.89 in excise taxes and \$0.78 in sales tax for a total of \$1.67 per bottle. Since there are 12 bottles in a case total state revenue per case is \$20.04.

4) Connecticut Revenues.

By multiplying the excise tax rate and the average sales tax per case by the number of incremental 9-liter cases we can estimate the fiscal impact that Sunday sales would have on the State of Connecticut.

Current Off-premise	Estimated New Revenues from Sunday Sales			
	Incremental Volume	New Excise Taxes	New Sales Taxes	Total New Revenues
5% Increase	83,614	\$894,580	\$782,022	\$1,676,603
7% Increase	117,059	\$1,252,412	\$1,094,831	\$2,347,244

<sup>6</sup> DISCUS member company survey