

Elm Brook Farm

Presentation to

Vermont Senate Economic Development, Housing & General Affairs

Thursday April 16, 2015

Objective for today:

Introduction – Elm Brook Farm
Locally Produced Beverage Spirits Tax
Pure Maple Based Distilled Spirits Category



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Elm Brook Farm (elmbrookfarm.com) is all about value added Agricultural products produced from our farm:

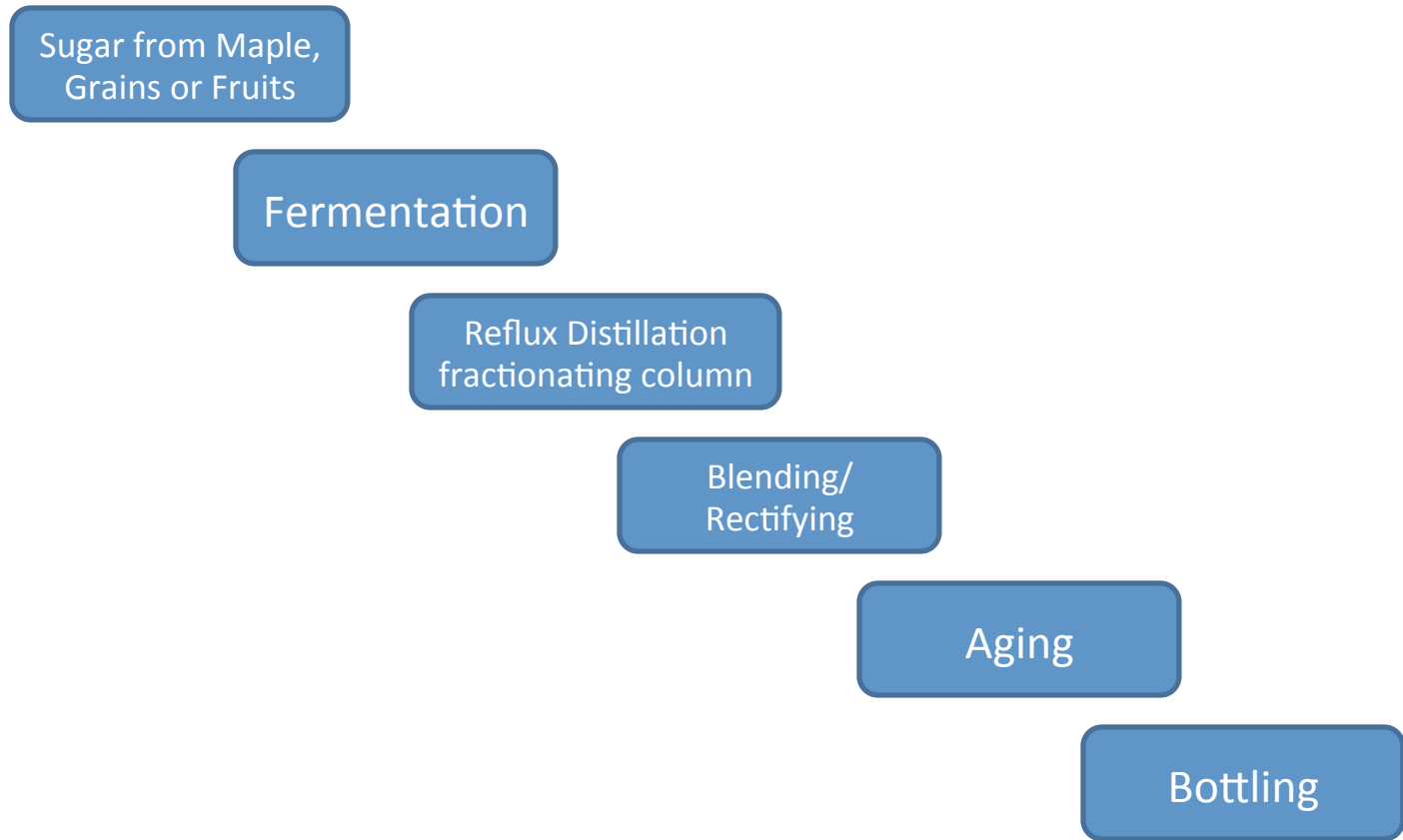


These efforts led to the creation of Elm Brook Farm's two unique spirits: Literary Dog and Rail Dog



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The distilled spirits is an extension of agriculture plus a few extra steps:



In Vermont, there are two ways local businesses can create a new distilled beverage alcohol:

Become a Vermont distiller

- Locally Sourced Raw ingredients
- Ferment in Vermont
- Distill in Vermont
- Blend/Rectify in Vermont
- Aging in Vermont
- Bottling in Vermont

Advantages:

- Locally Produced Vermont Product from Vermont Agriculture

Disadvantages:

- More difficult
- ***Vermont Taxes are higher***

Become a Rectifier

- Out of State Ingredients
- Ferment out of state
- Distill out of state
- Blend/Rectify either in or out of state
- Aging either in or out of state
- Bottling either in or out of state

Advantages:

- ***Vermont Taxes are lower***
- Easier to buy rather than make

Disadvantages:

- Not a truly Locally Produced Vermont Product from Vermont Agriculture

Out of state ethanol producers like Vermont tax breaks for locally rectified spirits because they can avoid paying Vermont's 25 percent excise tax.



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Maple has a unique status within the spirits industry. Spirits are classified by the type or source of sugar.

We have two maple based spirits on Elm Brook Farm:



Literary Dog Vodka



Rail Dog (100 %
maple –barrel aged)

Kentucky Bourbon is at least 51% corn;
Eau de vie is made from fruit sugars;
Brandy is made from grape sugars;
Canadian Whiskey is made from wheat
grain sugar;
Rye whiskey is made from Rye grain sugar;
Cognac – grapes distilled in Cognac, France;
Scotch Whisky – malted barley; and
etc. etc. etc.

Maple - Change is Coming:

- high end spirits sector – perfect for maple based spirits; and
- Major spirits companies are looking at maple to fit into this high growth category.



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Vermont is a natural to be the leader in this emerging sector. But impediments exist:

- Vermont tax laws make it cheaper to buy alcohol out of state and then bottle in Vermont
- Vermont taxes the cost of maple sap and syrup in spirits with a 25% general revenue tax;
- With the Vermont's 6% Sales taxes and state and federal excise taxes The net effect: Vermont Maple based spirits made in VT with VT maple syrup are taxed at ~40 % Most of this is a Vermont based tax.

The result of this tax law:

Maple in spirits industry is heavily associated with out of state liquor that uses artificial maple flavor or just a bit of real maple real maple; Too many "Distillers" in Vermont don't distill they buy out of state alcohol and bottle in state; This opportunity for a unique Vermont made spirit is being lost.

What can be done:

Work with state legislature on changing tax laws to promote Vermont Agriculture (local content laws like New York's) ; and Work with our Federal and State legislature to create a recognized Vermont based maple spirit identity.



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