



MARK ANTHONY BRANDS

Constellation Brands
BEER DIVISION

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House Committee on General, Housing and Military Affairs

SENT VIA ELECTRONIC MAIL:

Dear Committee Members:

We write to oppose House Bill 178, a proposal to reduce the alcoholic beverage tax rate on canned cocktails made with hard liquor. The proposal lowers the excise tax rate for certain liquor-based ready-to-drink products sold in Vermont by over 92 percent.

We represent brewers and beer importers of all sizes across Vermont and take great pride in our local beer economy, which includes more than 70 craft breweries. Per capita, Vermont ranks first in the nation, with 15.4 breweries per 100,000 adults 21 and over. In Vermont, the beer industry creates nearly [7,000 jobs](#) and generates an estimated \$1 billion in economic output. According to an economic analysis commissioned by the Beer Institute and the National Beer Wholesalers Association, more than \$28 million in [state and local taxes](#) are generated from the consumption of beer. In addition, another \$65 million in business and personal taxes are paid to the state and local communities as a result of the local beer industry. Hard liquor companies don't contribute to Vermont's economy at nearly the same magnitude as the local beer industry. House Bill 178 tips the scales in favor of hard liquor and has the potential to negatively impact the local beer industry.

As Vermont residents and businesses continue to recover from the COVID-19 pandemic, it is difficult to justify a deep tax break to the hard liquor industry. The hard liquor industry has experienced tremendous growth in the last 20 years, especially in 2021. According to data released by the liquor industry in February 2022, the liquor industry's revenue grew by \$3.8 billion in 2021, and 13% of that growth came from hard-liquor based "ready to drink" canned cocktails.

House Bill 178 gives an unfair tax advantage to hard liquor companies, many of which are out of state and don't have facilities in Vermont. Further, many of these companies already benefit from federal tax breaks. Federal law gives hard liquor companies additional tax breaks on liquor made with flavorings containing alcohol (a common practice) and drawback of excise taxes paid on imported alcohol. Many liquor companies also get generous subsidies for using rum-derived products, subsidies paid for by "cover over" payments of the federal excise tax collected on imported rum.

A reduction in the hard liquor industry's excise tax will significantly impact the state's revenue. By our estimates, the change could result in a loss to the state treasury of more than \$13 million over the next five years. We urge you to request a fiscal note in preparation for future committee action to understand the negative impact of this legislation on the state budget.

Further, beer has long been recognized as the beverage of moderation, and policymakers and the public across the U.S. understand that beer and spirits are very different products. Beer is significantly lower in alcohol by volume (ABV) than hard liquor, and the aggregate amount of beer sold in the United States has an average ABV of less than 5%, while the average ABV of spirits products sold in the U.S. is more than 37%. In addition, the cost to produce beer is higher than liquor-based products, and as a result these costs have been factored into determining the excise tax rate for alcohol products and been part of the public policy discussion for close to one hundred years. Finally, the beer industry has spent decades on responsible drinking campaigns, safe ride initiatives, voluntary advertising guidelines, supporting retailer ID checks, and the creation and availability of low-to-no alcohol beverages – all to help ensure consumers can enjoy beer products safely and responsibly. Lowering the tax rate on hard liquor could send the wrong message to the public about the difference between beer and spirits.

We urge the Committee to oppose this legislation that institutes a major change to a long-held public policy precedent in Vermont and beyond. Thank you for the opportunity to express our opinion on House Bill 178. We look forward to further discussions of this proposal.

Respectfully submitted on behalf of:

Lost Nation Brewing
Vermont Brewers Association
Anheuser-Busch
Beer Institute
Boston Beer Company
Brewers Association
Constellation Brands Beer Division
HEINEKEN, USA
Mark Anthony Brands, Inc.
Molson Coors Beverage Company