

# Low-Alcohol Spirits Beverages (a/k/a Canned Cocktails) An Act Relating to Low-Alcohol Spirits Beverages (S.68 & H.178)



The hard seltzer/canned cocktail segment has shaken up the adult beverage market of beer, wine and spirits over the past five years. People are seeking low-alcohol, low-calorie, more natural beverages that are convenient. Canned cocktails fit the bill. Consumer demand and innovation by manufacturers has resulted in exponential growth in hard seltzers and canned cocktails, which is widely forecast to continue. In response, identical bills have been introduced in the Vermont House and Senate (S.68 & H.178) to ensure Vermont can fully capitalize on this growth trend.

## **How do these bills propose to change the law?**

- Vermont small businesses (licensed grocery stores and other retailers) will be allowed to sell spirit-based canned cocktails containing up to 16 percent alcohol by volume (ABV), the same ABV limit as beer and wine sold in these stores.
- The low-alcohol spirits beverages must be packaged in metal cans up to 24 ounces in size.
- The bill expands distribution and sale of these products to all of VT's 2,400 licensed independent stores, restaurants and bars rather than 76 Department of Liquor and Lottery (DLL) agency stores.
- Low-alcohol spirits beverages would be taxed like wine (55 cents per gallon).

## **How will this benefit Vermont?**

- Vermont retailers will be able stay competitive with border states where retailers can already sell these products including New Hampshire, Massachusetts and New York (ABV rates vary by state).
- Vermont's craft distillers will be able to sell their products in many more retail outlets giving them the scale they need to succeed financially.
- Craft distillers' contributions to the Vermont economy, jobs and tourism could grow significantly similar to the growth of the craft brewers over the past 20 years (a similar change was made for higher alcohol beer in 2008).
- Restaurants will have canned cocktails delivered directly to their site by licensed wholesalers rather than having to purchase, pick up and transport the beverages from DLL stores.
- Large gatherings such as music festivals and fairs with festival permits could serve low-alcohol spirits beverages and generate new revenue.
- Low-alcohol spirits beverages are best sold like beer, in smaller packages and refrigerated, so selling them in grocery stores where the vast majority of beer is sold will allow these beverages to compete in the marketplace and lead to sales growth for this category.
- On top of the economic development and jobs generated by the craft distiller community, this bill provides an incremental revenue opportunity for the State of Vermont as these products will be sold at significantly more outlets and low-alcohol spirits beverages will be taxed at the higher 55 per gallon tax regardless of ABV.
- Low-alcohol spirits beverages in packaging greater than 24 ounces or small glass packages, which are the bulk of DLL sales, will continue to be sold through DLL's agency stores.
- Vermont law needs to evolve to meet changing consumer trends to encourage economic development, create jobs and drive state revenue.