March 17, 2022

House Ways and Means

SENT VIA ELECTRONIC MAIL:

Dear Chair Ancel and Members of the Committee:

Today, we write to oppose the provisions in House Bill 730, which seek to reduce the alcoholic beverage tax rate on canned cocktails made with hard liquor. We represent brewers and beer importers of all sizes in the State of Vermont selling beer across the state. The proposal will transition sales of liquor based ready to drink cocktails from the state to the private sector and significantly reduces revenue to the state. It effectively lowers the excise tax rate for certain liquor-based ready-to-drink products sold in Vermont by 92% and the Joint Fiscal Office estimates that it will result in a loss to the State of more than $1.5 million per year.

As Vermont continues to recover from the COVID-19 pandemic, it is hard to justify a deep tax cut to the liquor industry at the expense of the state. These products are nearly exclusively made by companies outside of Vermont. Lowering the excise tax rate for these products gives an unfair tax advantage to these out-of-state companies and downplays the public safety risks associated with liquor.

For decades, policymakers and the public have understood that beer and liquor are very different products. In the United States, these differences have been reflected in the way the two products have been taxed and regulated since Prohibition was repealed in 1933. The tax code accounts for the greater risks associated with liquor and appropriately reflects the best way to classify and treat liquor-based ready-to-drink cocktails. A proposal to lower the tax rate on these products so substantially fails to account for the differences in the products and should be rejected.

Vermont ranks 33rd in the country in the number of craft breweries, boasting 74 craft breweries. Per capita, Vermont ranks first in nation, with 15.4 breweries per 100,000 adults 21+. The beer industry accounts for more than $1 billion in economic contribution to the state and creates nearly 7,000 jobs for Vermont families. 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 because of beer. Providing an unfair advantage to out-of-state companies will potentially hurt Vermont brewers.

We urge the Committee to consider the ramifications of this proposal. A reduction in the liquor industry's excise tax will significantly impact the state's revenues. Moreover, we have concerns that the JFO's fiscal note – already projecting a $1.5 million annual loss – does not fully recognize the negative impact of this legislation on the state revenues, nor does it take into account the economic losses we could see for Vermont's craft brewery industry.

Our industry data show that alcohol consumption overall has stayed rather level over the past years but there is a substitution effect for new market entrants. In FY 2021, we saw a reduction in the consumption of beer, wine, and traditional liquor, with a major increase in consumption for ready-to-drink liquor products. Meanwhile this bill would propose that the mark-up or profits be moved out of state liquor stores to the broader distribution chain. What will this mean for overall sales for the remaining liquor?

Thank you for the opportunity to express our collective opinion on House Bill 730. We look forward to further discussions of this proposal.

Respectfully submitted on behalf of:

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