



February 15, 2022

Hon. Thomas Stevens, Chair
Hon. Joseph Troiano, Vice Chair
Hon. Barbara Murphy, Ranking Member
Vermont House Committee on General, Housing and Military Affairs
115 State Street
Montpelier, VT 05633-5301

Dear Rep. Stevens, Rep. Troiano and Rep. Murphy:

This letter is submitted on behalf of the Distilled Spirits Council of the United States (DISCUS), a national trade association representing producers and marketers of distilled spirits sold in the United States, in support of H. 178 entitled "*An act relating to low-alcohol spirits beverages.*" As you know, H. 178 seeks to define low alcohol-by-volume (ABV) spirits as products containing less than 16 percent ABV in containers less than 24 ounces and set the state excise tax rate for those products at \$0.55/gallon. The bill would also allow low-alcohol spirits beverages to be distributed and sold alongside wine of the same alcohol content.

There has been tremendous innovation and transformation in the ready-to-drink (RTD) category over the past several years originating from large and small beer, wine and spirits producers. In today's marketplace, consumers can choose from malt-based hard seltzers, wine-based flavored spritzers or canned/pre-mixed cocktails produced with distilled spirits.

In 2021, there were approximately 37 million cases of spirits-based RTDs sold in the United States. Based on the trajectory from other countries, the U.S. market is expected to grow to more than 200 million cases benefiting consumers and state coffers if there is fair and equitable taxation. The pandemic accelerated the growth of these products as adult consumers look to recreate the cocktail experience at home with convenient, pre-mixed cocktails made with premium spirits, fresh ingredients and low ABV. Some of these can be single-serve in a 12 ounce can, or can be sold in larger containers and multi-serve.

Unfortunately, Vermont spirits consumers are forced to pay much higher taxes for a spirits-based RTD product even if the product has the exact same or similar ABV as a malt, sugar or wine-based RTD. For example, at 5% ABV, the Vermont tax rate on spirits-based RTDs is 24 times the malt- and sugar-based state tax rate (\$0.03 per 12 ounce can for malt-based vs. \$0.72 per 12 ounce can for spirits-based)

This excessive tax burden is also a steep hurdle for any Vermont small distiller that may want to enter this growing category. In fact, according to a recent survey of craft

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distillers, 62 percent of those not currently producing RTD products cited the higher tax rate as a barrier to entering the market.

Vermont is one of many states taking a closer look at the issues that prevent consumers from having equal access to spirits-based RTD products in the marketplace and working to ensure those products are being taxed fairly to support consumers and small businesses in their communities.

You may hear “reasons” why a lower tax rate should not be granted to spirits-based RTD products, none of which hold up under scrutiny.

- 1) Reducing taxes on spirits-based RTD products to the \$0.55 level will not result in negative economic impacts for Vermont. Our economic analysis indicates that the Vermont Treasury would realize more than \$3.7 million in new tax revenue from this category within the next 3 to 5 years based on the new excise tax and Vermont’s current 6% sales tax rate and by expanding retail access for the products. Adjusting the tax on low alcohol products will only increase jobs in Vermont’s spirits industry, which today supports more than 1,500 Vermont jobs and \$46 million in wages.
- 2) Distilled spirits are not “harder” than beer or wine. The Vermont Department of Health’s current information on alcohol use (<https://www.healthvermont.gov/alcohol-drug-abuse/alcohol-drugs/alcohol>) states:

“A standard drink contains 0.6 ounces (14.0 grams or 1.2 tablespoons) of pure alcohol. A standard drink is:

12-ounces of beer (5% alcohol content).

8-ounces of malt liquor (7% alcohol content).

5-ounces of wine (12% alcohol content).

1.5-ounces of 80-proof (40% alcohol content) distilled spirits or liquor”

It does not matter what beverage alcohol is consumed. There is just as much alcohol in the average beer as there is in the average drink of whiskey or wine.

In addition to the Vermont DoH information, the Dietary Guidelines for Americans, 2020-2025, which is the basis for federal nutrition policy in the United States, defines drink equivalents as follows: “One alcoholic drink equivalent is

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defined as containing 14 grams (0.6 fl oz) of pure alcohol. The following count as one alcoholic drink equivalent: 12 fluid ounces of regular beer (5% alcohol), 5 fluid ounces of wine (12% alcohol), or 1.5 fluid ounces of 80 proof distilled spirits (40% alcohol)." (See page 49, www.dietaryguidelines.gov)

Put simply, there is no beverage of moderation, only the practice of moderation. To suggest by statement or policy that some forms of alcohol are "softer" than others sends a dangerous message when science has long recognized that standard servings of distilled spirits, beer and wine contain the same amount of alcohol. This is a critical aspect of responsible consumption.

The spirits industry has been leading beverage alcohol product innovation for nearly two decades. Today, it is a major contributor to the state of Vermont, generating nearly \$297 million in economic activity and \$53 million to local communities and the state in taxes. Adoption of House Bill 178 will continue to support this growth and expand upon the thousands of industry jobs across the Green Mountain State.

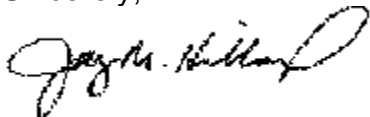
We believe this commonsense legislation will create a more level playing field for spirits-based RTDs with other RTDs made from other types of alcohol the same or similar alcohol content, which is good for consumers and producers alike.

Some others in the beverage alcohol industry do not support greater access for spirits-based RTDs in the marketplace or any reduction in the tax burden on these products.

In our view, there is no public policy rationale for maintaining policies that stifle innovation and prevent competition. In fact, we think policies should foster both innovation and competition, and then let consumers decide. What's more American than that?

Thank you for your consideration.

Sincerely,



Jay M. Hibbard
Senior Vice President of State Public Policy

cc: Members of the Vermont House Committee on General, Housing and Military Affairs
Commissioner Wendy Knight, Vermont Department of Liquor and Lottery