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Black Flannel Brewing & Distilling Co., LLC
21 Essex Way
Essex, Vermont, 05452



Testimony by: Chris Kesler, Founder – Black Flannel Brewing & Distilling Co.

Chair McCarthy and Vice Chair Birong,

As some of you may recall, in the 2022 legislative session, the house and senate passed a measure to move distribution of Ready to Drink (RTD) Canned Cocktails from State control to private distributor control effectively opening the market for these products from 80 state controlled 802 stores to almost 2,000 retail locations across the state. This was a fantastic first step in creating a level playing field for RTD Canned Cocktails to compete in the marketplace with similar strength low alcohol beverages produced by Vermont craft brewers.

As we approach 2 years, Vermont Distillers believe it's time to take the final step to create parity with craft beer for these products by addressing taxation. In 2022, legislators proposed a tax rate on RTDs of 55 cents per gallon. As a last minute compromise to get the bill through, the senate passed the measure with a tax rate of \$1.10 per gallon. For comparison, beer up to 6% ABV is taxed at a rate of 26.5 cents per gallon and 55 cents per gallon over 6% ABV. This compromise meant that RTDs are taxed 2-4 times higher than craft beer.

It has been argued that it costs less to produce RTD products than it does beer. This is not the case. Black Flannel produces all of our spirits in-house from sugar source to glass and we use fresh ingredients like cold-pressed cucumber, fresh mint, ginger, pineapple, lime and berries grown at local farms. Like Vermont beer, our RTDs are truly crafted Vermont Products. The average cost to produce our RTDs is 238% higher than the average cost to produce our craft beer.

Craft beer enjoys a high level of support from Vermonters making the road to economic sustainability and job security much easier than that enjoyed by the Vermont Distilling community. Distillers need as many viable revenue channels as possible to attain economic sustainability, and with a tax rate 2-4 times higher for similar ABV products, it make it that much harder for distillers to create and maintain jobs for Vermonters.

All this considered, we would ask the legislature to consider tax rate parity with craft beer; that is 26.5 cents per gallon up to 6% ABV and 55 cents per gallon over 6% and up to 12% which is the highest ABV allowed for private RTD distribution.

Thank you for your time and consideration.

Respectfully,

Chris Kesler, Founder / Owner
Black Flannel Brewing & Distilling Co., LLC