

WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

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TESTIMONY OF WINE AND SPIRITS WHOLESALERS OF CONNECTICUT

RE: Proposed HB Bill 6541 An Act Establishing a Craft Alcoholic Liquor Distiller Permit.

The members of the Wine and Spirits Wholesalers of Connecticut buy spirits from manufacturers located both within this state and from outside of the state. These manufacturers can be very large producing millions of gallons of product sold around the globe. By contrast many of them are much smaller producing less than 100,000 gallons a year. These small producers are key to many wholesaler businesses and wholesalers are essential to them, by providing product placement and distribution that they could otherwise not afford.

Wholesalers are a vital and active partners with the State in its excise tax and sales tax collections. Wholesalers effectively and efficiently monitor the sales of beverage alcohol within the State and to collect and pay to the State \$60.2M in excise taxes and assist in the collection of more than \$141M in sales taxes. An improperly constructed craft distillery permit could well jeopardize the wholesaler method of distribution.¹

The Wine and Spirits Wholesalers of Connecticut support the establishment of a "craft distiller permit" provided that it addresses its concerns relative to exposing the current system to legal challenge. The WSWC has worked with members of the Small Brands Council, distillers who are located in Connecticut and the Connecticut Package Store Association to find common ground to establish a craft distillery permit and to address wholesaler concerns. After much give and take among the parties, they have reached an agreement which will accomplish the following:

1. Permit distilleries to make direct sales consumers up to 1.5 liters per day per person, not to exceed 5 gallons every sixty days.
2. Permit tastings on the premises, either with or without charge.
3. Sales at retail for manufacturers who produce less than 25,000 gallons per year.
4. Manufacturers who sell more than 10,000 gallons in a given 12 month period shall distribute its products through the wholesale system.

¹ *Granholm v. Heald*, 544 U.S. 460 (2005). This case held that under the dormant commerce clause, a state cannot discriminate against products produced outside its borders. Should the state establish a permit that affords in-state producers greater privileges than out-of-state producers, there is risk that the out-of-state producers may legally challenge the newly-established system of distribution.

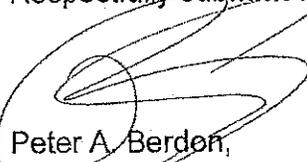
The WSWC believes that this compromised agreement resolves its concerns while allowing small distillers in the state to show case their products.

Who is the WSWC? The Wine & Spirits Wholesalers of Connecticut, Inc. was established in 1964 and since that date has been the trade association representing wine and spirits wholesalers in Connecticut. The WSWC membership totals 53 and its members distribute the vast majority of wines and spirits sold in the state of Connecticut. The members of the WSWC span a diversity of size from very large to very small, but all are family owned businesses. Individually, they employ as many as 230 employees and as few as a one person working part-time. Collectively, they are a significant and integral part of Connecticut's economy. The members of the WSWC:

- contribute in excess of \$200 million dollars in direct and in-direct benefits to the state's economy;
- provide in excess of 1,700 direct jobs to Connecticut residents;
- Pay in excess of \$167 million dollars in wages;
- pay in excess of \$60.2 million dollars in state excise taxes;²
- promote, market, sell, warehouse and deliver nearly 36,000 different brands; and
- assist the Department of Revenue Services in the collection of Sales and Use Taxes in excess of \$141 Million Dollars annually³.

The members of the WSWC are committed to ensuring that the best possible safeguards to prevent the sale of beverage alcohol to minors are in place and adults of legal drinking age consume beverage alcohol responsibly, while at the same time providing an efficient method of distribution which provides access to a wide variety of quality wine and spirits from all over the world.

Respectfully submitted,



Peter A. Berdon,
Executive Director/General Counsel

² FYE June 30, 2014.

³ \$141 million is the total sales and use taxes estimated to be collected on the retail sale of wine, spirits and beer in 2010. Spencer Kane, Cain Associates, LLC, Economic Impact, March 2012. Each year the Department of Revenue Services requests that wholesalers furnish sales made to retailers to determine if individual retailers are fully accounting for all sales.