



**Wine & Spirits Wholesalers of Connecticut, Inc.**

Lawrence F. Cafero Jr., Esq.

Executive Director

General Counsel

**Testimony submitted by  
Lawrence F. Cafero, Jr.  
Executive Director and General Counsel  
Wine and Spirits Wholesalers of Connecticut, Inc. (WSWC)  
Finance, Revenue and Bonding Committee Public Hearing  
April 29, 2019**

In **OPPOSITION** to Senate Bill No. 1140, AN ACT CONCERNING WINE IMPORTATION.

**S.B. No. 1140** is fatally flawed as written. Without the addition of language requiring common carriers, who transport alcoholic liquor, including wine, to report what they transport from out of state, directly to consumers within our state illegal shipments of alcohol into Connecticut will continue. Each year it is estimated that tens of millions of dollars of alcoholic beverages are being shipped into the state of Connecticut illegally. Many of these beverages are shipped innocently by common carriers. (Fed Ex, DHL, UPS etc.) These illegal shipments cost the state over \$20 million dollars in lost excise tax and sales tax as well as hurting the hundreds of Connecticut licensed wholesalers and retailers who obey the law. The common carriers who deliver these products into our state are **NOT, in any way**, breaking the law, but many times the sender and/or recipient are, whether intentionally or unintentionally. A “Common Carrier Reporting Amendment” to this bill would simply require any common carrier bringing alcoholic beverages into our state to electronically report, once a month, to the Department of Revenue Services, the deliveries they make. This information provides critical data to DRS to identify these illegal shipments and to pursue the collection of sales and excise taxes for the State. Within the last four years, **fourteen states** have adopted a similar measure in an attempt to stop the illegal imports of wine and spirits into their respective states and to capture tens of millions of dollars in lost revenue. SB 1140 is the result of several years of negotiation between Connecticut Retailers, Connecticut Wholesalers and those who would like for wine not available in Connecticut, to legally be shipped into the state. The solution was to the limited language of S.B. 1140, **PLUS THE**

**COMMON CARRIER REPORTING LANGUAGE THAT I ATTACH BELOW.** Without that Common Carrier Reporting Language, our States retailers are unprotected from the adverse effects of illegal sales, our state will continue to be denied millions of dollars in excise and sales tax revenue and the internet sale of alcohol to minors will continue without detection. **Why was the Common Carrier Reporting language not included in S.B. 1140?** The millions of dollars in additional revenue to the state as a result of the reporting requirement would pay for any additional expense to either Department and provide Connecticut with increased revenue. Without the Common Carrier Reporting language, S.B. 1140 would jeopardize our state's commitment to social responsibility and an orderly, well regulated marketplace. S.B. 1140 as written would also jeopardize Connecticut's 1200 plus family owned businesses by putting them at a severe disadvantage in that the bill would allow the out of state retailers of neighboring states to ship wine into Connecticut, while at the same time, because of the alcohol laws of our neighboring states, prohibit Connecticut retailers to ship wine out of state. In addition, S.B. 1140 as written would jeopardize our public safety by making it easier for underage minors to have access to alcohol.

Since the end of Prohibition and the enactment of the 21<sup>st</sup> Amendment to the United States Constitution, this country has allowed for strong, **state based, federally supported** regulation of alcohol. From the end of prohibition through today, courts and legislatures have clearly held that state regulation is primary and that each state's sovereignty must be respected when it comes to alcohol regulation. The state of Connecticut, through its courts and legislature has, for the past eight decades, relied upon the safe, and accountable, "three tier system" to deliver the widest array of products available anywhere in the world to consumers in a manner that is safe, keeps product out of the hands of underage drinkers, provides tax revenue, guarantees product quality and ensures adequate regulatory oversight.

The initial intent of this bill was to make a narrow exception to our law in not allowing anyone but wineries to ship wine directly to Connecticut consumers and allowing for out of state retailers to ship wine not otherwise available in Connecticut, directly to consumers. Connecticut retailers and wholesalers agreed to this exception **ONLY** if the Common Carrier Reporting Requirement was included for their protection and the protection of the public and State's revenue. **S.B. 1140 does not include that protection.**

Proponents of S.B. 1140 will also point to the fact that Connecticut law currently allows for out of state Wineries to ship directly to Connecticut consumers and S.B.



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1140 merely extends this practice to out of state retailers. What is not said however is that **Wineries are manufacturers** and ALL manufacturers and wholesalers in the country are regulated, not only by the state within which they do business, **BUT ALSO**, by the federal government. **Retailers have no federal regulation.** If an out of state manufacturer or wholesaler breaks the law they can be held accountable not just in the state where they are located but by federal authorities as well. Retailers have no such accountability. Connecticut would be powerless in putting an out of state retailer, who sells to minors, out of business. Connecticut authorities would have no right or opportunity, to inspect the products sold by an out of state retailer. Unlike a winery or other manufacturer, the “chain of custody” of the product and its ingredients would be impossible to ascertain or to monitor.

The language below is the Common Carrier Reporting language that we respectfully request be amended to S.B.1140:

“Sec. 30-19f. In-state transporter's permit. (a) An in-state transporter's permit for alcoholic liquor shall allow the commercial transportation of any alcoholic liquor as permitted by law. The annual fee for an in-state transporter's liquor permit shall be one thousand two hundred fifty dollars.

(b) No person, corporation, trust, partnership, incorporated or unincorporated association, and any other legal entity except: (1) The holder of an out-of-state shipper's permit issued pursuant to section 30-18 or 30-19; (2) the holder of a manufacturer's permit issued pursuant to section 30-16 other than the holder of a manufacturer's permit for a farm winery; and (3) the holder of a wholesaler's permit issued pursuant to section 30-17 shall transport any alcoholic beverages imported into this state unless such person holds an in-state transporter's permit and the tax imposed on such alcoholic liquor by section 12-435 has been paid and, if applicable, the tax imposed on the sale of such alcoholic liquor pursuant to chapter 219 has been paid.

(c) An in-state transporter, when shipping or delivering wine directly to a consumer in this state, shall: (1) Ensure that the shipping labels on all containers of wine shipped directly to a consumer in this state conspicuously state the following: "CONTAINS ALCOHOL—SIGNATURE OF A PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY"; (2) obtain the signature of a person age twenty-one or older at the address prior to delivery, after requiring the signer to demonstrate that he or she is age twenty-one or older by providing a valid motor vehicle operator's license or a valid identity card described in section 1-1h; and (3) not ship to any address in the state where the sale of alcoholic liquor is prohibited by local option pursuant to section 30-9.

(d) An in-state transporter, when delivering alcoholic liquor, as defined in section 30-1 and delivers alcoholic liquor into Connecticut from outside the state for delivery in the state to

consumers and retailers, shall prepare and file monthly with the Department of Revenue Services and the department, not later than the fifteenth (15<sup>th</sup>) day of the month following the month during which the delivery is made, a report of known alcoholic liquor shipments containing the name of the transporter permit holder making the report, the period of time covered by such report, the name and business address of the consignor of such alcoholic liquor, the name and residential/business address of each consignee, the weight of the package or containers delivered to each consignee, a unique tracking number, and the date of delivery. All records referred to in the foregoing subsections of this statute shall be maintained at the place of business of the in-state transporter's permit, or at such other location as the department may in writing authorize, for at least two years from the date of the delivered recorded thereby, and shall be available for inspection and copy by agents of the department at any times during the regular business hours of the permit holder.

(e) Any railroad company, express company, common or contract carrier who willfully fails to make reports as provided by this section or any of the rules and regulations of the Department of Consumer Protection and Liquor Control Commission for the administration and enforcement of this section is subject to a notification of violation. In the case of a continuing failure to make reports, the railroad company, express company, common or contract carrier is subject to possible license suspension and revocation at the Department of Consumer protection's discretion.

~~(d)~~ (f) Any person convicted of violating subsections (a), (b) and (c) of this section shall be fined not more than two thousand dollars for each offense.

(g) Any person convicted of violating subsection (d) of this section shall be fined not more than two hundred dollars for each offense."

**PLEASE VOTE NO to S.B. 1140 in its current form and amend S.B. 1140 to include the Common Carrier Reporting Language.**



## **Wine & Spirits Wholesalers of Connecticut, Inc.**

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**Who is the WSWC?** The Wine & Spirits Wholesalers of Connecticut, Inc. was established in 1964 and since then has been the trade association representing wine and spirits wholesalers in Connecticut. The WSWC membership totals 56 and its members distribute the vast majority of wines and spirits sold in Connecticut. The members of the WSWC span a diversity of size, from very large to very small, but are all family owned businesses. Individually they employ as many as 230 employees and as few as 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 indirect 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;
- Promote, market, sell, warehouse and deliver nearly 43,000 different brands; and
- Assist the Department of Revenue Services in the collection of Sales and Use Taxes in excess of \$141 million dollars annually.

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, providing access to a wide variety of quality wine and spirits from all over the world.

### **Member Companies:**

**Connecticut Distributors, Inc., Stratford, CT; Hartley & Parker Limited, Inc., Stratford, CT; Eder Bros, Inc., West Haven, CT; Allan S. Goodman, Inc., East Hartford, CT; Slocum & Sons, Inc., North Haven, CT; The Winebow Group, Wallingford, CT; Opici Family Distributing, Milford, CT**

Respectfully Submitted,

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