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## LAG Meeting Follow Up

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**Karen Hertz**

Thu, Mar 2, 2023 at 1:28 PM

To: "LED\_Rulemaking - DOR, DOR"

Hi,

I'm a member of the Liquor Advisory Group and the CEO and Founder of Holiday Brewing Company. I wanted to provide follow up regarding our meeting today.

### **Brewer's Permits from TTB**

It was mentioned during the March 2 LAG meeting that a basic permit issued to wineries carries additional oversight from the TTB requiring them to abide by state laws that is not included in the basic permit issued to breweries. This is false. All permits issued to alcohol producers by the TTB carry the same oversight and risk of action for failure to abide by state law.

### **Underage drinking has not been impacted by DTC**

- See attached info sheet from the BA. I've pulled a couple of salient points.
- Anecdotes should not inform policy. We can point to instances of on and off-premises retailers selling to minors. These do not justify a statewide ban on sales in those channels.
- [Monitoring the Future](#) 2021 report found:
  - Underage drinking has been on a steady decline for over three decades. During that same time, DTC shipping of alcohol, primary wine, expanded rapidly and substantially. In 2000 only 16 states allowed DTC shipping of wine, today 47 do.
  - In states where DTC shipping is legal, underage drinking has declined at a higher rate.

### **Legislation**

- As far as we know there have only been three bills that have been introduced in the last couple of years that have addressed direct to consumer shipping for beer. Kentucky has been mentioned numerous times (and passed) so we won't go into detail on that one.
- Hawaii introduced legislation that would allow for beer and liquor direct to consumer shipping. This again includes liquor and did not pass.
- California is the only state that has introduced direct to consumer shipping legislation that only impacts beer. The goal was to update their current law to be in alignment with the Granholm ruling, which would change their laws to allow out of state producers to ship into California. Currently California breweries can ship within the state.

### **Taxes**

- Based on the 2022 Sovos ShipCompliant/Wines Vines Analytics DTC wine shipping report, we estimate that Colorado brought in roughly \$8.5 million in sales and excise taxes from DTC of wine. <https://sovos.com/shipcompliant/content-library/wine-dtc-report/>
- The Tax Policy Center's data shows that state excise taxes have increased in the era of increased DTC. <https://www.taxpolicycenter.org/statistics/state-and-local-alcohol-tax-revenue>
- Allowing for DTC would allow the state to collect taxes on beer that is being illegally shipped into Colorado.
- DTC would increase tax revenue because it would increase sales for small breweries that can't distribute in all corners of the state. There are approximately 450+ small and independent breweries operating in Colorado but only a small

percentage can participate in traditional wholesale and retail channels. DTC shipping of beer would allow all small and independent brewers the ability to participate in an expanded marketplace, thereby growing their businesses, hiring more employees, and investing more in their communities, just as wine has benefited for many years through the ability to direct ship.

Please let me know if you have any questions and I will be sure to bring this to the next Marketplace Breakout Group.

Thank you,

**Karen Hertz** | *Chief Brewista*

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