



# State of Connecticut

GENERAL ASSEMBLY

STATE CAPITOL

HARTFORD, CONNECTICUT 06106-1591

## COMPETITIVE ALCOHOLIC LIQUOR PRICING TASK FORCE

### ALCOHOLIC LIQUOR TAX SUBCOMMITTEE

#### ORGANIZATIONAL MEETING MINUTES

Wednesday, August 22, 2012

11:00 AM in Room 1B of the LOB

The meeting was called to order at 11:06 AM by Subcommittee Chairwoman, Rep. Kathy Tallarita, 58<sup>th</sup> District.

The following task force members were present:

Rep. Kathy Tallarita, 58<sup>th</sup> District; Ed Crowley; David Leon; Dr. Stanley McMillen; David Rutigliano; Commissioner Kevin B. Sullivan (DRS)

Absent were:

Rep. Tallarita asked DRS Commissioner Sullivan to briefly review for the subcommittee the current alcohol tax and sales tax rates. Commissioner Sullivan began his review by stating that neither the Governor nor his agency are ready to look at additional tax changes until the task force looks at changes to pricing issues. It is the Governor's position that the state ought not to pass along higher costs to consumers until we examine the prices of alcohol in Connecticut. Using a couple of slides from his August 1<sup>st</sup> PowerPoint presentation, Commissioner Sullivan reviewed the various alcohol tax rates and how we compare to our neighboring states.

Ed Crowley asked where Connecticut falls comparatively in terms of taxes or prices paid by alcohol suppliers? Commissioner Sullivan stated that he didn't have that information at hand and stated that that research may not be available in other states. Commissioner Sullivan suggested that the subcommittee task the Department of Consumer Protection with comparing the prices/taxes paid by suppliers in Connecticut with New York, Rhode Island, and Massachusetts.

David Leon mentioned the issue of the bottle bill. He suspects that in DCP's comparison, the taxes or prices paid by suppliers may be adjusted for the fact that Rhode Island, for example, does not have a bottle deposit requirement, unlike Connecticut.

Commissioner Sullivan noted that in terms of tax collection, it is more efficient to collect taxes at the wholesale level rather than the retail level.

The subcommittee next reviewed Massachusetts's history of enacting and then repealing sales tax on alcohol.

Ed Crowley noted that in the Office of Fiscal Analysis's review of Massachusetts sales tax collection, the amount of total sales decreased when the sales tax was enacted and increased following its repeal. Dr. Stanley McMillen cautioned that other market forces may explain the jump in sales other than the repeal of the tax. For example, shifts in population or changes in personal income may affect the total amount of sales in any given period of time. Dr. McMillen offered to conduct an analysis to gauge these factors and report back to the subcommittee with his findings.

Commissioner Sullivan asked if there is a correlation between income and consumption? Dr. McMillen stated yes. He stated that with increases in income people tend to have more disposable income that leads to greater consumption. Commissioner Sullivan then noted that there are sociological and behavioral factors that explain the higher rates of consumption. Dr. McMillen stated that during the recession, for example, changes to personal income lead to a higher consumption of lower quality alcohol products. Ed Crowley told of his experience in Detroit, where hard economic times lead to higher consumption of low quality alcohol products because they were oftentimes less expensive.

Ed Crowley remarked that the beverage industry lost the escheats to the state in 2009. The industry has also seen an increase in excise and sales taxes, the last increase being enacted on July 1, 2011. He asked if DRS had any data comparing Connecticut's total tax collection to our neighboring states. Marc Papandrea of DRS offered to research the total tax collection among our neighboring states. He stated that the latest sales tax figures will soon be available for Connecticut.

On the topic of the bottle bill, David Leon suggested we research the number of states that currently have the bottle bill in place. Dr. McMillen thought that either he or DCP could answer that question.

## ANNOUNCEMENTS

Rep. Tallarita announced that the next subcommittee meeting will be on Wednesday, September 5<sup>th</sup> at 11:00 AM in Hearing Room 1B. She also announced that the next full task force meeting will be held on September 12, 2012 at 11:00 AM in Hearing Room 1B.

In addition, Rep. Tallarita reminded everyone that the task force will hear from some invited speakers at our September meeting. These invited speakers will be representatives from those associations or portions of the liquor industry that do not currently have a representative on the task force. Rep. Tallarita asked that task force members who may have any speaker recommendations to submit them to the co-chairs or the clerk.

There being no further discussion, a motion was duly made and seconded to adjourn the meeting.

The meeting was adjourned at 11:39 AM.

Stephen A. Palmer  
Clerk

**CORRECTION:** It should be noted that the location for the next subcommittee meeting on September 5<sup>th</sup> has been changed to Hearing Room 1C.