



State of Connecticut
GENERAL ASSEMBLY
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

COMPETITIVE ALCOHOLIC LIQUOR PRICING TASK FORCE

ALCOHOLIC LIQUOR TAX SUBCOMMITTEE

MEETING MINUTES

Wednesday, September 5, 2012

11:00 AM in Room 1C of the LOB

The meeting was called to order at 11:01 AM by Subcommittee Chairwoman, Rep. Kathy Tallarita, 58th District.

The following task force members were present:

Rep. Kathy Tallarita, 58th District; David Leon; Dr. Stanley McMillen; David Rutigliano; Commissioner Kevin B. Sullivan (DRS)

Absent were: Ed Crowley

Rep. Tallarita welcomed everyone to the meeting. She noted that Commissioner Sullivan would be late to the meeting because he is chairing the Business Tax Task Force this morning. In his place, Marc Papandrea from DRS led the subcommittee in reviewing updated tax collection numbers from the recently closed fiscal year. In addition, the subcommittee reviewed an updated chart comparing the various alcohol taxes among the states, including New Jersey, Vermont, and Pennsylvania; which were suggested by Dr. McMillen at the previous meeting. Marc Papandrea noted that in the case of Pennsylvania, for example, the state imposes an 18% tax for wine and spirits,

which may account for such a large collection of tax revenue. David Rutigliano commented that the population of Pennsylvania makes a big difference as well.

Rep. Tallarita asked if the latest revenue numbers included a measurement on the impact of Sunday sales? Marc Papandrea said he would need to look closely at the June and July 2012 figures and compare them to 2011. He stated that he could provide that information at our next meeting.

Rep. Tallarita wondered if the tax revenue could be broken down by product type? Dr. McMillen stated that he could analyze that information and compare those figures across the states.

Dr. McMillen led the subcommittee in reviewing his research regarding which states currently have a bottle redemption law (aka bottle bill). Rep. Tallarita asked how much revenue the state collected through the escheats? Marc Papandrea noted that in FY 2011-12, the state collected approximately \$ 27.1 million. David Leon asked where that money goes? Rep. Tallarita stated that those funds go into the state's General Fund. David Rutigliano asked how long the bottle bill has been in effect? Marc Papandrea stated that the Department of Revenue Services has administered the program for approximately 2 years. Prior to that, the state Department of Environmental Protection administered the program. David Rutigliano asked when the state added water bottles to the redemption law? Dr. McMillen stated that the bottle bill was expanded in 2009 to cover water bottles. David Rutigliano asked if the subcommittee could research how much total revenue the state collected from the escheats prior to and after adding water bottles to the redemption law? Dr. McMillen stated he could research that information. In addition, he said he could look at those states that had a bottle bill and then removed it. David Rutigliano commented that, in his experience in his community, towns could potentially save money or benefit from single stream recycling and recover those escheats.

David Leon raised his concerns with individuals who purchase large quantities of alcohol and import them into Connecticut without paying any sales tax. He asked DRS how many S&BT forms the department receives each year? Marc Papandrea stated that it was probably less than 100. David Leon noted that consumers must self report the sales tax on any purchases made out of state and that we are losing those dollars. Marc Papandrea stated that current law requires consumers to report any use tax on their income tax filings and that the department lacks the manpower to police self-reporting issues. Rep. Tallarita stated that we would need border patrols to police cross border purchases and that would not be a priority. She also stated that consumers must self report any sales and use tax on items purchased over the Internet as well.

David Rutigliano noted that the 2011 Neiman Group survey of Pennsylvania consumers was very insightful. The study found that convenience is a key factor when it comes to the purchase of alcohol. Dr. McMillen noted that consumption per capita from 2008 to 2011, when the study was performed, has declined. He stated that that may be a result of the economy as consumers have less disposable income. He also noted that

purchases decline as the population ages. David Rutigliano agreed. He noted that in the restaurant industry, he has seen how market forces change people's spending habits. He has seen data that shows when the economy dips, beer sales are up. And when the economy is moving upwards, sales of spirits are up. With more disposable income, people tend to spend their dollars on better quality alcohol products. He also noted that population impacts consumption. Dr. McMillen stated that he could track business cycles and demographics and produce a chart that shades in periods of recession.

David Rutigliano commented that gas prices also affect how consumers spend their disposable income. After paying one's bills, consumers are more likely to be cautious on how they spend what's left over, especially in a down economy, he said. Rep. Tallarita gets asked often why gas prices are so high. She stated that prices are generally high in Connecticut compared to Massachusetts, for example. However, Connecticut does not have tolls and that we need revenue to maintain our roads and bridges. Dr. McMillen also noted that incomes have not kept up with inflation. Incomes have remained flat; meanwhile costs have soared; leaving consumers with fewer dollars to spend.

ANNOUNCEMENTS

Rep. Tallarita announced that the next subcommittee meeting will be on Wednesday, September 19th at 11:00 AM in Hearing Room 1C. She also announced that the next full task force meeting will be held on Wednesday, September 12th, 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 12th 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