

**Testimony to Connecticut Task  
Force on Competitive Alcohol Pricing  
Submitted By  
Jay Hibbard  
Distilled Spirits Council of the United States**

Members of the Task Force:

My name is Jay M. Hibbard, and I am Vice President of Government Relations for the Distilled Spirits Council of the United States (DISCUS), a national trade association representing the world's leading makers and marketers of distilled spirits. Our member companies are:

Bacardi U.S.A., Inc. (Miami, FL)  
Beam Global Spirits & Wine, Inc. (Deerfield, IL)  
Brown-Forman Corporation (Louisville, KY)  
Campari America (San Francisco, CA)  
Constellation Brands, Inc. (Victor, NY)  
Diageo (Norwalk, CT)  
Florida Caribbean Distillers (Lake Alfred, FL)  
Luxco, Inc. (St. Louis, MO)  
Moët Hennessy USA (New York, NY)  
Patrón Spirits Company (Las Vegas, NV)  
Pernod Ricard USA (Purchase, NY)  
Remy Cointreau USA (New York, NY)  
Sidney Frank Importing Co., Inc. (New Rochelle, NY)  
Suntory International (New York, NY)

I want to take just a moment to comment on the subject of beverage alcohol taxation.

As you all are aware, alcohol taxes are one component – a very important component – that affects the price of beverage alcohol in Connecticut. By any measure, beverage alcohol is already over taxed. On a typical bottle of spirits purchased in Connecticut 53% of the purchase price is made up of a tax or fee of some kind. This is a marked contrast to most consumer products and directly affects prices paid by all consumers for their cocktail, beer or glass of wine. The tax burden on beverage alcohol is already so high that Federal, State and local governments collect over \$2 in taxes for every \$1 that the industry (suppliers, wholesalers, retailers and restaurants) earn in profit. Government often is seen as a partner with business but in case of the beverage alcohol business, government is an unequal partner.

Taxes affect people's behavior when it comes to purchasing. When taxes go up, volumes go down; when taxes go down volume goes up. Taxes also affect general economic activity and job creation, especially in the hospitality industry, which is still recovering from the impacts of a lingering historic downturn.

One thing beverage alcohol taxes do not do is act as a deterrent to abusive drinking. Taxes on alcohol do not deter alcohol abusers for whom taxes are of little concern. A report by The National Institute on Alcohol Abuse and Alcoholism (NIAAA), the government's lead agency on alcohol issues, reported in its January 2001 issue of Alcohol Alert that research suggests the heaviest-drinking 5 percent of drinkers do not reduce their consumption significantly in response to price increases, unlike drinkers who consume alcohol at lower levels. Those findings have been further supported by subsequent reviews in the Journal of Addictions and a 2008 study in the American Journal of Medicine that reviewed alcohol consumption trends for a 50 year period (1948-2003)

I bring these things up not because there has been discussion on raising beverage alcohol taxes but to demonstrate that taxes have a direct impact on consumer behavior and purchasing patterns and to suggest that one way to affect that behavior would be to consider a reduction in the current level of excise tax in Connecticut. As you know, that tax was raised in 2011 and because businesses merely pass along tax increases to consumers in the form of higher prices, that change had the end result of encouraging consumers to look for better deals in neighboring states. New York leads the bordering states in the category of beverage alcohol excise taxes with a tax rate nearly 30 percent higher than Connecticut but Massachusetts and Rhode Island both have lower rates.

We believe this is an important consideration in the deliberations of how to make Connecticut more competitive with its neighbors.

Thank you for the opportunity to appear before you. I would be happy to answer any questions you may have.