



March 7, 2022

Chair Martin Manahan
Department of Liquor and Lottery
13 Green Mountain Drive
Montpelier VT 05602

Re: [Opposition to direct-to-consumer spirits shipping to Vermont consumers provision in House General, Housing, and Military Affairs Committee bill, DR 22-0616.](#)

Dear Chair Manahan and Board Members:

On behalf of the Wine and Spirits Wholesalers of America¹ (WSWA), whose members include wine and spirit wholesalers and brokers, we respectfully submit these comments in opposition to the spirits direct-to-consumer (DTC) shipping provisions included in the House General, Housing, Military Affairs Committee's omnibus alcohol bill, [DR 22-0616](#).

Interstate, direct-to-consumer shipping of wine reveals problems in ability to collect taxes.

Because Vermont does not have a law requiring the common carriers that transport alcohol shipments to report each shipment to the state, there is no way for enforcement agents to identify illegal shipments and, thus, ensure that taxes are not collected. Other control states with common carrier reporting laws, such as Virginia, found that nearly 40 percent of all alcohol shipments were unlicensed and, thus, untaxed. It is estimated that 2,152 cases (25,824 bottles) of distilled spirits are being illegally shipped to Vermonters from producers without state taxes being remitted.² See [WSWA's Common Carrier Reporting Findings and Enforcement Actions](#) for more examples of loss tax revenue.

The loss of tax revenue coupled with the increase in licenses for the Vermont enforcement agents to review and audit equates to an unfunded mandate. In fact, in 2021 Virginia had to add an additional \$1 million to its budget to hire more personnel for DTC enforcement.

Spirits shipping would harm Vermont's distillers, retailers, and brokers.

Spirits shipping will not benefit Vermont's in-state distillers. Vermont's distilleries can already ship their spirits to the six states and D.C. that permit direct-to-consumer (DTC) shipments.

¹ WSWA is the trade association that represents wine and spirits wholesalers large and small across America. Founded in 1943, WSWA includes more than 350 member companies in 50 states and the District of Columbia. Our members distribute more than 80 percent of all wines and spirits sold at wholesale in the United States. Across the country wholesalers employ approximately 87,000 people who receive nearly \$7.5 billion in wages annually.

² *Impact of Direct Shipment of Spirits on Market in Vermont*, John Dunham & Associates, 2022.

Instead, the large spirit companies that have the infrastructure and can afford to ship across the country will take sales away from Vermont's distillers and Vermont's agency stores. Each bottle that is shipped to a Vermonter from out-of-state is a sale and commission taken away from an 802 Spirits store. DTC spirits shipping will also significantly impact spirits brokers in Vermont who only make a small commission on each sale sold at a Vermont 802 store.

If Vermont enacts direct shipment of spirits in a similar form to that of wine, it is estimated that over 7,125 cases of distilled spirits (85,500 bottles) would move from the current three-tier distribution channel to direct ship and state and local taxes on businesses, consumers and individuals would fall by \$1.1 million.³

Moreover, out-of-state shippers would not be required to comply with Vermont's bottle deposit program which undercuts local business and negatively impacts the local redemption fund.

Spirits shipping will increase underage access.

Shipments of alcohol directly to consumers' houses will increase the likelihood of underage access as there is little to no oversight of the final delivery of the product by a common carrier. A study by the Journal of Pediatrics and Adolescent Medicine found that 45 percent of alcohol orders placed by underage purchasers were successfully received.⁴ Additionally, "age verification at delivery was inconsistently conducted and, when attempted, failed about half the time." Only 11 percent of online alcohol purchase attempts made by underage buyers were rejected.

In an investigation into DTC shipments in [Kansas](#), two shipments were delivered to underage individuals. In fact, one box of liquor was handed to a 7-year-old. In [Maine](#), a local retailer testified that a shipment of spirits was handed to his five-year-old "with no signature." Moreover, nothing would prohibit a common carrier from delivering a package of spirits to one of Vermont's 22 college campuses.

Spirits shipping circumvents Vermont's current regulatory system.

The direct shipment of alcohol circumvents Vermont's regulatory control over all spirits entering the state and the sale and distribution of those spirits to consumers—a system that has successfully balanced consumer health and safety with access for over 80 years. Shipments from the country's 4,126 distilleries would limit Vermont's regulators' ability to ensure taxes are properly collected, IDs are checked, and illicit alcohol is not getting into the hands of

³ *Ibid.*

⁴ [Williams RS, Ribisl KM. Internet Alcohol Sales to Minors. Arch Pediatr Adolesc Med. 2012.](#)

consumers. Vermont's nine enforcement agents would be completely overwhelmed if they become responsible for hundreds of out-of-state distilleries holding Vermont shipping licenses, putting Vermont consumers at risk.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CCrucitti', with a long horizontal stroke extending to the right.

Chelsea Crucitti
Senior Director, State Affairs
Wine & Spirits Wholesalers of America