



January 18, 2023

Chairman Craig Headland & Members of the
Finance and Taxation Committee
North Dakota State Capitol, Room JW327E
600 East Boulevard Avenue
Bismarck, ND 58505

Chairman Headland and members of the Finance and Taxation Committee:

Today, we write to oppose HB 1303, a proposal to reclassify liquor products below 12.5% as wine. We represent brewers, beer importers, and wholesalers of all sizes in North Dakota. We produce and distribute beer products – as well as some of the country’s leading ready-to-drink liquor-based cocktails – across the state.

The beer industry supports a tax and regulatory framework that reflects that liquor, wine, and beer be treated as clearly distinct categories. Every state and the federal government has done this since the repeal of Prohibition in 1933, and it is vital to maintain these distinct categories due to the notable differences in these products and the way they are consumed.

HB 1303 would take a group of liquor products and arbitrarily reclassify them as wine to reduce the tax rate. This change would blur the lines between distinctly different alcohol categories. Beer, wine, and liquor are not the same, and this legislation would send a confusing message to consumers.

It is worth noting that proposals like this were rejected in more than a dozen states during the 2021 and 2022 legislative sessions around the country. One exception to this is Nebraska, and the outcome in their state should be a warning for others.

In 2021 the Nebraska legislature passed a bill to reclassify liquor drinks below 12.5% ABV as wine for tax purposes. The fiscal note found that the cost to the state would be approximately \$1 million annually. Since the legislation passed, the state has lost money and consumers did not see a price break on these products. In fact, policy analysts at Public Sector Consultants found that the average price of ready-to-drink liquor-based cocktails went up 65 percent in Nebraska since the bill passed (from an average of \$5.83 to \$9.62), far more than the inflation rate during that time period. It is no surprise that just last week the Chair of the Revenue Committee filed a bill returning the classification of these products to spirits.

Liquor, wine, and beer are different types of alcohol, which is why we oppose HB 1303 and encourage North Dakota to maintain clear distinctions between these three categories. Thank you for the opportunity to testify today.

Sincerely,



Beer Institute
President and CEO



Brewers Association
President and CEO



National Beer Wholesalers Association
President and CEO