January 18, 2023

Testimony in OPPOSITION to House Bill 1303

I'm Scott Meske, representing the North Dakota Brewers Guild, the 23 brewpubs and taprooms licensed in North Dakota to make beer. I stand in opposition to House Bill 1303.

This proposal is an attempt of liquor producers to receive a tax break by creating a new category of alcohol produce for the purposes of defining a tax level different from the liquor tax. This is a Trojan horse effort to gain market share by disturbing longstanding and successful policies **differentiating beer and wine from liquor.**

Making liquor based RTD products is a choice, presumably made because their producers want to market and sell liquor or because they seek to expand branding occasions for their full-strength products. These massive corporations are also seeking taxation changes across the country – attempting to bring their **liquor-based cocktails to a lower tax rate like beer or wine has had for decades** – skirting the rules to bump up their market share and get an undeserved tax break from states. It seems they want the marketing halo of a "premium" product using real liquor but don't want to pay the "premium" tax.

Common sense recognizes that alcohol policy should not ignore the real differences between beer and liquor. While some RTDs may have modest alcohol strength and a few beers may approximate the strength of wine, those are the exceptions that prove the rule: The average liquor product sold in the U.S. today contains 37% alcohol by volume (74 degrees proof). In contrast, the average beer product sold in the U.S. contains approximately 4.5% alcohol by volume.

Bottom line, states across the country are saying no to tax breaks for these beverages. Those massive companies that are manufacturing RTDs are doing fine without additional subsidies.

Liquor products should be taxed at liquor rates, not at a lower rate.

The North Dakota Brewers Guild respectfully requests this Committee issue a DO NOT PASS recommendation on House Bill 1303.