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WINE INSTITUTE

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Re: Wine Institute's Opposition to HB 248 – Doubling Alcohol Excise Taxes

Dear House Labor and Commerce Committee Members:

Wine Institute ("WI") is a public policy association representing 835 California wineries of all sizes. WI opposes HB 248 because it proposes to double the excise tax on all alcohol beverages, including wine. This proposal, doubling the excise tax on wine to \$5.00 per gallon, will ultimately harm the responsible wine consumers in Alaska by increasing the price of wine. This will be hard for Alaskans to bear in these difficult economic times.

Since alcohol beverage taxes are marked up by the distributors and retailers as the wines move through the three-tier system, the taxes usually double by the time they reach the consumer. Alaska already imposes the **HIGHEST** excise tax on wine (\$2.50) in the nation, followed by Florida at \$2.25, Iowa at \$1.75, and Alabama & New Mexico at \$1.70. An increase to \$5.00 per gallon will set Alaska far above the rest of the country. The US median excise tax rate for wine is \$0.72. On the low end, the rate in Louisiana is \$0.11 and California & Texas are at \$0.20. In addition to the excise tax burden, wine prices are already burdened by the higher transportation costs to ship wine to Alaska.

We understand that Alaska is in a fiscal crisis and the Governor is proposing tax increases to help cover the multi-BILLION-dollar deficit. This bill, however, is estimated to raise only \$40 million dollars, which is negligible compared to the total shortfall. With this huge tax increase, wine sales are likely to decrease, raising the question whether \$40 million would actually be raised. Is it worth hurting responsible wine consumers with higher prices when they are likely to be hit hard in many other ways due to this crisis? In addition, alcohol beverage taxes are regressive, disproportionately hitting those with lower incomes.

Data indicates that when taxes are imposed on specific products, overall sales decrease. If overall sales decrease, local restaurants and wine retailers are also negatively impacted. Restaurants, hotels, and wine retailers can't afford a tax increase that will hamper their businesses.

We urge you to reject this tax increase bill. Don't force Alaskans to pay even more for the simple pleasure of responsibly consuming wine. If you have any questions, please feel free to contact me or Ashley Reed, Wine Institute's lobbyist in Alaska.

Sincerely,

Katie Jacoy