

Bill as Introduced

HB 168-FN-A - AS INTRODUCED

2013 SESSION

13-0136
09/04

HOUSE BILL

168-FN-A

AN ACT increasing the beer tax.

SPONSORS: Rep. Weed, Ches 16; Rep. R. Eaton, Hills 38

COMMITTEE: Ways and Means

ANALYSIS

This bill increases the beer tax and designates the increase to the alcohol abuse prevention and treatment fund.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears [~~in brackets and struck through~~]
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Thirteen

AN ACT increasing the beer tax.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Beer Tax Increase; Alcohol Abuse Prevention and Treatment Fund. Amend RSA 176:16, I-III to read as follows:

I. Except as provided in paragraph [II] *III*, the state treasurer shall credit all gross revenue derived by the commission from the sale of liquor, or from license fees, and interest received on such moneys, to a special fund, to be known as the liquor commission fund, from which the treasurer shall pay all expenses of the commission incident to the administration of this title. Any balance left in such fund after such expenses are paid shall be deposited in the general fund on a daily basis.

II. Notwithstanding any provision of law, or the designation of the funds allocated by the state to the liquor commission as the liquor commission fund, the general court shall retain budgeting authority and control over the liquor commission.

III. *Ten cents of every \$.40 collected under RSA 178:26, I and RSA 178:30, V and 50 percent of the amount by which the current year gross profits exceed fiscal year 2001 actual gross profit, but not more than 5 percent of the current year gross profits derived by the commission from the sale of liquor and other revenues, shall be deposited into the alcohol abuse prevention and treatment fund established by RSA 176-A:1.*

2 Beer Tax Increased. Amend RSA 178:26, I to read as follows:

I. In addition to the annual license fees provided in this chapter, a fee of [~~\$.30~~] **\$.40** for each gallon of beverage sold or transferred for retail sale or to the public shall be required for licenses issued to wholesale distributors, beverage manufacturers, and brew pubs; provided, however, that if beverage container mandatory deposit legislation is enacted, such fee shall be \$.18 per gallon as of the effective date of such legislation. For failure to pay any part of the fees provided [~~or~~] **for** under this section when due, 10 percent of such fees shall be added and collected by the commission from the licensee.

3 Beer Tax Increased. Amend RSA 178:30, V to read as follows:

V. Beverages registered with the commission under paragraph IV shall be purchased by the holder of the license. Additionally, fees of [~~\$.30~~] **\$.40** per gallon of beverages or specialty beer purchased under this paragraph shall be paid to the commission by the licensee within 10 business days of the expiration of the license. Payment shall be accompanied by any forms and documentation required by the commission.

4 Effective Date. This act shall take effect July 1, 2013.

HB 168-FN-A - FISCAL NOTE

AN ACT increasing the beer tax.

FISCAL IMPACT:

The New Hampshire State Liquor Commission and the Department of Health and Human Services state this bill, as introduced, would increase state restricted revenue and expenditures by approximately \$4,295,108 in FY 2014 and each year thereafter. There would be no fiscal impact on county and local revenue or expenditures.

METHODOLOGY:

The New Hampshire State Liquor Commission states this bill increases the beer tax from \$0.30 to \$0.40, and dedicates the additional \$0.10 to the alcohol abuse prevention and treatment fund. In FY 2012, 42,951,080 gallons of beer were sold resulting in \$12,885,324 of beer tax revenue. Assuming beer sales would remain constant, the Commission estimates increasing the beer tax by \$0.10 would generate an additional \$4,295,108 to be deposited into the alcohol abuse treatment and prevention fund.

The Department of Health and Human Services states additional funds would be used to contract for alcohol direct prevention and treatment services as well as defraying any additional administrative costs associated with these services. Although this bill does not establish positions, the Department assumes it would need to establish 3 full-time Prevention and Treatment Program Specialist positions to provide technical assistance and contract management. The Department estimates costs for the 3 position as follows –

	FY 2014	FY 2015	FY 2016	FY 2017
Salary (3 Positions)	\$134,258	\$140,166	\$146,309	\$152,742
Benefits	\$75,069	\$80,528	\$86,354	\$92,639
Current Expenses	\$15,000	\$15,000	\$15,000	\$15,000
Equipment	\$4,500	\$0	\$0	\$0
In State Travel	\$2,500	\$2,500	\$2,500	\$2,500
Total	\$231,327	\$238,194	\$250,163	\$262,881

The Department states the remainder of the funds would be used for treatment (70%) and prevention (30%) services. The Department estimates this would allow the Bureau of Drug and Alcohol Services to provide treatment services to an estimated 1,820 individuals, and direct prevention services to selected and indicated services to approximately 18,700 individuals.

Speakers

Hearing Minutes

HOUSE COMMITTEE ON WAYS AND MEANS

PUBLIC HEARING ON HB 168-FN

BILL TITLE: increasing the beer tax.
DATE: January 23, 2013
LOB ROOM: RM 202 **Time Public Hearing Called to Order:** 10:30 AM
Time Adjourned: Noon time

(please circle if present)

Committee Members: Reps. Almy, Lovejoy, Cooney, Davis, Butynski, J. Kelley, Shattuck, Young, Ames, Karrick, Schamberg, Major, R. Ober, Ulery, Sanborn, Hess, Abrami, Griffin, Azarian and Sapareto.

Bill Sponsors: Rep. Weed, Ches 16; Rep. R. Eaton, Hills 38

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

Rep. Chuck Weed – Prime Sponsor – Supports the bill. Bill is an avenue to raise as much as four million dollars and help with alcohol abuse prevention ... State has important revenue needs to fund necessary functions of government, and the increased tax would enable necessary services to be supported ... Other people here can respond better to a number of questions. We need to address alcohol abuse prevention. Tax would be only 1.25 cents per can of beer; surrounding states charge deposits for cans and NH does not.

***Rep. Gene Chandler** – Opposes the bill. This is the wrong time to be doing this. Existing and new brewers are concerned and may delay job expansions. See Handout letter.

***Scott Schaier, Executive Director, Beer Distributors of NH** – Opposes the bill. Speaks for 20 businesses. See Handout. Bill would have negative macroeconomic impact well beyond the ten cent beer tax increase ... Need to consider beer tax levels in surrounding and other states. NH's existing beer tax is above the national average. NH is losing its tax and job creation advantage. ... Jobs are a huge issue for NH, and brewers are creating jobs in NH and should not be discouraged from expansion in NH. All manufacturers have responsibility initiatives to address alcohol problems. NH Distributors market and warehouse and distribute the beer products. Retail margins vary widely from single digits to 50 percent depending on the type of retailer. Consumers would pay 25 cents to 75 cents more per case. Consumers are price sensitive.

***John Dumais, President of the New Hampshire Grocers Association** – Opposes this bill. See large Handout from Scott Schaier.

***Tricia Lucas, Advocacy Director, New Futures and Brian Gottleb, PolEcon Research - Support the bill. See Handout.**

Tricia Lucas: Less than one cent increase on a can of beer should not have a major negative impact on sales; tax would produce about \$3.9 million and go into alcohol abuse prevention and treatment fund which has never been fully funded by the Legislature; was a reduction from \$7.2M to \$3.2M in that fund and 38 programs were eliminated due to that cut. ... national data indicates 35 percent of US population does not drink at all ... vast amount of alcohol is purchased by people earning \$50,000 or more per year.

Brian Gottleb – long research literature on alcohol taxes; about nine to nine and one-half percent of beer is sold on tap. See Handout update of earlier study. Estimate \$3.9M revenue to NH from the tax. NH may be more price sensitive due to border issues ... on real inflation adjusted basis the beer tax revenue has gone down for 30 years ... estimate only 1.6 percent impact of tax on beer sales in NH ... NH is still ranked first in per capita sales of beer even though our beer tax is currently above the national average ... Would be some negative impact on retail, but would be a wash on employment impact overall. Did not look at impact of beer tax increase on lottery, tobacco, and related sales and taxes on BPT, etc., but not likely to have much collateral impact ... increased tax could lead to some limited job decline at retail level but almost a wash with new jobs created through the new state revenue. ...

Rep. Adam Schroader, Rock. Dist. 17 – Opposes the bill; in last session the definition of beer was opened and allowed greater sales and more industry jobs; Portsmouth Brewery runs fundraisers and contributes to many charities, etc.

John Thompson, Smuttynose Brewing – Opposes the bill; small brewers can be dependent on tap sales; Smuttynose has grown from five to fifty jobs; small and larger breweries are supporting their communities.

***Jackie Hamel, General Manager, Anheuser-Busch Brewery in Merrimack, NH** – Opposes the bill; have 300 employees; testimony is in Handout from Scott Schaier.

Rip Holden, Teamsters Local 163 – Opposes the bill. Works with Anheuser-Busch, and open to talking with any Committee members after today's testimony.

*A sheet in opposition to the bill was distributed by Stephen Ryan, Executive Director, New England Convenience Store Association, but he did not testify.

Respectfully submitted,



Rep. William Butynski, Clerk

HOUSE COMMITTEE ON WAYS AND MEANS

PUBLIC HEARING ON HB 168-FN

BILL TITLE: increasing the beer tax.

DATE: 1-23-13

LOB ROOM: RM 202 Time Public Hearing Called to Order: 10:30AM

Time Adjourned: About Noon

(please circle if present)

Committee Members: Reps. Almy, Lovejoy, Cooney, Davis, Butynski, J. Kelley, Shattuck, Young, Ames, Karrick, Schamberg, Major, R. Ober, Ulery, Sanborn, Hess, Abram, Griffin, Azarian and Sapareto.

Bill Sponsors: Rep. Weed, Ches 16; Rep. R. Eaton, Hills 38

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

Rep. Weed, Prime Sponsor - Support the bill. The bill is for revenue to have as much as \$4 million and help with alcohol abuse prevention. State has important revenue needs to fund necessary functions of government and this increased tax would enable necessary services to be supported. Response to questions: Other people here can respond better to a number of questions. we need to address alcohol abuse prevention. Tax would be only 1.25 cents per can of beer, surrounding states charge double per can and NH does not.

* Rep. Gene Chandler - Oppose the bill. This is the wrong time to be doing this, more spiting and new brewers are concerned and may delay job expansion. See Handout/Letter.

Respectfully submitted,

Rep. William Butynski, Clerk

~~Rep. David~~

* Scott Schauer, Beer Distributor - Oppose the bill.
 speaks for 20 businesses see ~~Handout~~ Handout. bill would
 have negative macroeconomic impact well beyond the
 10 cent beer tax increase. ^{Next to complete} Beer tax lower than
 in many other states. NH's existing beer tax
 is above the national average, NH is losing the tax
 and job creation advantage. Jobs are a huge issue
 for NH, + brewers are creating jobs in NH and should
 not be discouraged from expansion in NH. All
 manufacturers have responsibility initiatives to
 address alcohol problems, NH distributes market and
 warehouse and distributes the beer products.
 Retail margins vary widely from single digits to
 50% depending on the type of retailer. Consumers
 would pay 25 cents to 75 ^{cents} more per case.
 Consumers are price sensitive.

Response Questions

* John Dumas NH Grocers Association - Oppose the bill.

see largest Handout for testimony
 from Scott Schauer

* Tricia Lucas Attorney Director New Entrées and Bacon Estates, Polaron
 Research
 support the bill see ~~Handout~~ Handout. ^{Support bill} New laws / flow a ^{increase} case
 Beer should not have a major negative impact on sales.
 Tax would produce about \$3.9M and go into alcohol abuse prevention
 and treatment fund, which has never been fully funded by the Legislature.
 Why a reduction for 7.2M to 3.2M in that fund and 38 programs?

were eliminated due to that cut, ... national data indicates 33% of US population does not drink at all, ... most amount of alcohol is purchased by people earning \$30,000 or more per year

Brian Cottrell, along research literature on alcohol taxes about 9 to 9 1/2 % of beer is sold in tax, see Permanent Victims of earlier study, estimate \$3.9M revenue to NH from the tax. NH may be more price sensitive due to border issue ... on real inflation adjusted basis the beer tax ~~the~~ revenue has gone down for 30 years ... estimate only 1.6% impact of tax on beer sales in NH ... NH is still ranked first in per capita sales of beer even though our beer tax is currently above the national average ... Would be some negative impacts on retail, but would be a much on employment impact overall

Response to questions: Did not look at impact of beer tax increase on lottery, ^{to raise} and what sales and taxes on BPT, etc, just not likely to have much collateral impact, ... increased tax could lead to some limited decline at retail level but don't want to see new jobs created through the new state revenue, ...

Rep. Adam Schrogotter, Rocke, District 17 — ^{Opposite the bill,} ~~in~~ last session the definition of beer was opened and allowed greater sales & more Portsmouth Brewery runs fundraisers and contributed to many churches, etc.

minutes/pt 2

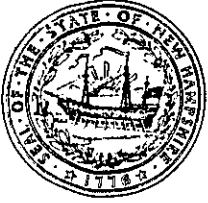
John Thompson, Smitty and Bering - ^{Oppose the bill,} small brewers
can be dependent on tap sales. Smitty more low grain
from ~~5x50~~ 5x50 ⁽¹¹⁵⁾ etc. ~~Small~~ small and larger
breweries are supporting their communities

* Jackie Hamel, Carl Mungar, Andrew Bush (Brewery in
Massachusetts) - ~~testify~~ ^{Oppose the bill,} have
300 employees, ^{Testimony in earlier hearing}

Rip Holden, ^{June 63} ~~Testimony~~ ^{Oppose the bill.} met
with Andrew Bush, and open to talking with
any Committee members after ~~the~~ today's testimony,

* A sheet in opposition to the bill was distributed
by Stephen Ryan, Executive Director, New England
Convenience Store Association, but he did
not testify.

Testimony



State of New Hampshire
HOUSE OF REPRESENTATIVES
Republican Office

HB 168
from Rep Gene Chandler

1/23/2013

RE: House Bill 168

Dear Ways and Means Committee Members,

For the record, I am Rep. Gene Chandler. I represent the towns of Bartlett, Harts Location and Jackson and also serve as the House Republican Leader.

I would like to voice my opposition of House Bill 168, which would increase the taxes paid on beer by 33%.

This bill would raise New Hampshire's beer tax from 2nd highest in New England to 13th highest in the nation. This bill would also unduly burden New Hampshire's economy by extracting \$4.3 million from it at a time when our State is still struggling to retain its economic footing.

In addition, this bill is a hit to New Hampshire's largest and smallest breweries. From Smuttynose in Portsmouth, Moat Mountain in North Conway, Tuckerman's in Conway and all the numerous burgeoning microbreweries across the state, all of these New Hampshire businesses will be negatively affected. These companies employ hundreds of people and the last thing they need is additional taxes and regulations on their products while having to undoubtedly downshift additional costs to the consumer.

In short, it is no accident that this bill has been near universally panned by brewers, restaurateurs and consumers alike. I ask this committee to take a strong stance for protecting small businesses and consumers and vote to keep our economy on a path to growth, by voting ITL on this bill.

Sincerely,

Gene G. Chandler

Gene G. Chandler
House Republican Leader

HB 168

Handout from Scott Schaefer

**NH House of Representatives
Ways and Means Committee
WRITTEN TESTIMONIES
Opposing House Bill 168**

January 23, 2013

NH House of Representatives
Ways and Means Committee
107 North Main Street
Concord, New Hampshire 03301

Honorable Representatives of NH,

As concerned citizens and members of the New Hampshire business community, we collectively oppose House Bill 168, which proposes raising the state tax on beer by 33%. There is great concern that the result of such a decision will have economic impact far greater than the revenue raised and we offer supporting evidence in the testimony presented to this committee today.

The macroeconomic impact of the beer industry and its related businesses is both significant and necessary for the overall health of the New Hampshire economy and the New Hampshire advantage. This proposed increase would make New Hampshire's beer excise tax per gallon the highest in New England, increase prices to consumers, and decrease out-of-state patronage and its associated revenue.

When all of the facts are carefully and deliberately considered, the decision to vote down this tax should be clear. We welcome the opportunity to discuss the data in more detail with any committee members.

Sincerely,

Anheuser-Busch Brewing, Merrimack
Beer Distributors of NH, Concord
Diageo Guinness USA
Elm City Brewing, Keene
MillerCoors
Portsmouth Brewery, Portsmouth
NH Grocers Association, Manchester
Retail Merchants of NH, Concord
Throwback Brewing, North Hampton
White Birch Brewing, Hooksett

Business & Industry Association, Concord
Craft Brew Alliance/Red Hook, Portsmouth
Earth Eagle Brewing, Portsmouth
Henniker Brewing, Henniker
Moat Mountain Brewing, North Conway
Prodigal Brewing, Effingham
NH Lodging & Restaurant Association, Concord
Smuttynose Brewing, Portsmouth
Tuckerman Brewing, Conway
Woodstock Inn Brewery, North Woodstock



**HOUSE WAYS AND MEANS COMMITTEE
HOUSE BILL 168
JANUARY 23, 2013**

**STATEMENT OF:
JACKIE HAMEL, GENERAL MANAGER
ANHEUSER-BUSCH BREWERY
MERRIMACK, NH**

Chairwoman Almy and members of the House Ways and Means Committee, I appreciate this opportunity to appear before you today to discuss House Bill 168, which would increase the state's beer excise tax by 33 percent.

My name is Jackie Hamel, and I am the General Manager of the Anheuser-Busch brewery in Merrimack. As a long time corporate partner and brewer in the state, we have a great interest in HB 168. Before I get into the details of this legislation's potential impact, let me make a few points about Anheuser-Busch in the Granite State.

For more than 40 years, Anheuser-Busch has been a leading economic contributor and valued community partner in New Hampshire. We have a strong team of 320 employees, provide more than \$22 million in annual wages, and pay nearly \$5 million in state and local taxes every year. We're also very proud of our nearly \$445 million capital investment in the brewery, which produces two of the world's most popular beers, Budweiser and Bud Light.

We also contribute to the state's economy as a tourist site, attracting about 70,000 visitors to the brewery every year, who come to see how we brew our famous beers. Additionally, we care about the communities our Merrimack employees call home. In the past five years alone, the brewery has contributed more than \$900,000 and countless volunteer hours to several local organizations, such as the United Way, Boys and Girls Club of Greater Nashua, and the Merrimack Police and Firefighters, to name a few.

Because Anheuser-Busch is so invested in New Hampshire, we're concerned about new proposals that might dampen or thwart the positive impact we can have here. While we appreciate the efforts of legislators to solve the state's budget challenges, we do not believe HB 168 is a step in the right direction. In fact, it would take us backwards in many regards.

To raise the excise tax on beer by 33 percent, which this bill would do, will only threaten job opportunity and hurt middle class workers in New Hampshire at a time when they can least afford it.

Anheuser-Busch and the beer industry as a whole directly contribute \$637 million to New Hampshire's economy, support 5,000 jobs and pay \$175 million in annual wages. A 33 percent increase in the state's beer tax would slow sales and could lead to layoffs among retailers, brewers, wholesalers and suppliers.

We all know that middle class families are strapped right now. This proposal is essentially a tax on them because they would bear the burden of it. About half of all beer is consumed by households that earn less than \$50,000 a year, but they pay the same tax on beer as people earning five, six or even 10 times that income. Let me also point out that beer taxes are already the most expensive ingredient in beer, accounting for 43 percent of the retail price in New Hampshire.

Finally, let me ask you this. The beer market is already a highly competitive industry. Do we really want to lose sales to our neighbors in Massachusetts and Vermont who already have a lower beer tax? Increasing beer taxes could merely encourage residents to buy their beer across state lines. And if this happens, they will also be more inclined to make other purchases in neighboring states as well.

Let's keep New Hampshire competitive, attract investment and job growth and protect the middle class from unwelcome tax hikes at a time when they can least afford it. One way to do this is by rejecting HB 168.

Thank you.



CRAFT BREW
ALLIANCE



CRAFT BREW ALLIANCE, INC.
1 Redhook Way, PORTSMOUTH, NH 03801

**State of New Hampshire
House of Representatives
Ways & Means Committee
New Hampshire House of Representatives,
107 North Main Street
Concord, New Hampshire, 03301**

January 21, 2013

Dear Committee Members,

Redhook Ale Brewery is one of America's original craft brewers, founded in 1981 in a Seattle transmission shop. In 1996 we opened a second location in Portsmouth to enable Redhook to provide the East Coast with the high quality ales we had become known for in the West without the time and cost of cross country shipping. This location was chosen for its craft beer history and lively seacoast scene loved by both locals and tourists.

After partnering with Portland, Oregon based Widmer Brothers Brewing Company for a number of years, the two breweries merged to form Craft Brew Alliance (CBA) in 2008. This same year our Portsmouth brewery began producing beers for Kona Brewery from the Big Island of Hawaii, bringing the fresh taste of Hawaii to the eastern mainland without long shipping times. Kona Brewery officially became part of CBA in 2010. Over the last 30+ years we have grown from a small start-up to one of the top 10 largest breweries in the country, selling in all 50 states and recently began shipping our great tasting beers to a number of European and Asian countries, as well as Canada.

The Redhook brewery in Portsmouth is physically the smallest of our mainland breweries, but produces the greatest variety of beers, and the second highest volume, as we supply the eastern two thirds of the US, as well as Europe, from this facility. In 2012 we brewed almost 169,000 barrels (over 5,200,000 gallons) in Portsmouth, and paid almost \$3,000,000 in federal excise taxes. Of this, over 400,000 gallons were sold in New Hampshire, contributing approximately \$120,200 in taxes.

CBA employs over 560 people nationwide, with 103 people working in New Hampshire. These jobs range from brewing and packaging staff to cooks and servers in the Cataqua pub to sales, marketing and administrative positions. While the manufacturing sector has been disproportionately hit in the recent economic downturn, we continue to hire production level jobs, with full benefits. Based on our 2012 sales figures, the money we would spend on a \$0.10 per gallon tax increase would cost us one job – one less family with health benefits, one less person with a 401K and one more person collecting unemployment. And Redhook is just one brewery among many in New Hampshire.



CRAFT BREW
ALLIANCE



CRAFT BREW ALLIANCE, INC.
1 Redhook Way, PORTSMOUTH, NH 03801

As a 32 year old company with 17 years here in New Hampshire we face a number of issues as a maturing, mid-size company: the increased complexity of producing numerous brands, the regulatory burden of distributing in 50 states, the need for additional capital to handle capacity issues, managing additional staffing and labor issues, remaining competitive in an ever-growing and increasingly competitive industry, etc. But another issue that growing breweries face is taxes. New Hampshire breweries don't just have to pay New Hampshire excise taxes; we also have to pay federal excise taxes. The federal excise tax rate is \$18 per barrel, but small brewers pay a reduced rate of \$7 on the first 60,000 barrels sold each year. This \$11 jump in the tax rate creates a ceiling that inhibits growth as breweries move from small to mid-size. While large breweries benefit from an economy of scale that helps them absorb the federal taxes, brewers such as CBA pay the same tax rate as large brewers on most of our sales (we switch rates in February). This disincentive to growth keeps many brewers from expanding, which in turn restricts jobs, economic growth, and state tax revenues.

With the federal tax rate already restricting brewery growth, an additional New Hampshire tax will only compound matters. Our legislature should be working to stimulate growth in the brewing industry, and encouraging the jobs, revenue and tourism that comes with a vibrant brewing industry. This tax increase is a step in the wrong direction for New Hampshire's economy. Please do not make this mistake. Thank you.

Joe Thorner
Director of Operations
joe.thorner@craftbrew.com

Craft Brew Alliance
1 Redhook Way, Portsmouth, NH 03801
www.craftbrew.com

D: 603.501.3952
M: 920.605.0122
F: 603.430.6011



January 23, 2013

To: The Ways and Means Committee of the New Hampshire House of Representatives
From: John "JT" Thompson, Smuttnose Brewing Company

Dear Representatives,

I am writing to you to voice opposition of House Bill 168. We believe the 33% increase on the beer tax will harm a rare, growing industry in New Hampshire, our state's small, craft brewers. If this industry was able to continue doing what it does at the existing tax rate, the state has a greater long-term ability to collect revenue at the existing tax rate as production and sales increase around the state.

When Smuttnose opened in 1994, we had a staff of five people and brewed around 3,000 barrels of beer. In 2012, our staff of 50 brewed and sold 41,000 barrels of beer in twenty one states. Last year was also a year of further investment in the state as we broke ground on a new, highly-sustainable production facility and restaurant that will allow us to increase production, create new jobs, as well as offer visitors a greater range of experiences to have when they come see us. We have done this under the existing excise tax structure, which is already on the verge of being the highest in New England.

While I can't say that all of our state's small breweries will grow to Smuttnose's size, there is no better time than right now to encourage our collective and individual growth so we can find our own place in the beer market, as interest in craft beer is at an all time high and our segment of the industry shows signs of strong, sustained growth.

The craft brewing industry in New Hampshire is a major tourist attraction that brings out of state visitors into our hotels and restaurants, through our tollbooths, retailers and positively impacts the economy across the board. Each brewery offers an excellent, and organic way to market the New Hampshire brand. At Smuttnose, our three weekly tours are filled largely by beer lovers from Massachusetts, Connecticut, Rhode Island, Maine, New York and Quebec, as well as places further afield. I am always amazed to hear how many of them are on multi-day brewery vacations, travelling through New England to tour breweries and buy beer to take home and enjoy again or share with friends, an exotic libation from another part of the country.

Increasing the beer tax would increase pricing and hamper our competitiveness, ultimately compromising our ability to grow and to hire more workers, to purchase more equipment, fulfill growing orders and pay back the large amount of loans that we have taken on for the new Smuttnose facility. As production increases, so will the revenue the state collects. I hope that the members of Ways and Means will vote down this bill and vote in support of New Hampshire's small craft breweries. The investment will allow the growth of our industry, resulting in a far greater impact to the State's overall fiscal picture than would a 33% increase in our excise tax rate.

Sincerely,

John "JT" Thompson
Smuttnose Brewing Company



Beer Distributors of New Hampshire
PO Box 158
Concord, NH 03302
603-502-6650

January 21, 2013

NH House of Representatives
House Ways and Means Committee
107 North Main Street
Concord, NH 03301

Re: HB 168

Honorable Representatives of the House Ways and Means Committee,

In the interest of your time, I have prepared this written statement outlining our opposition to HB168, the proposed 33% increase of the state's beer excise tax.

My name is Scott Schaier and I am the Executive Director of the Beer Distributors of New Hampshire and have professional experience working in all three tiers of the beer industry. My goal today is to provide general background information to help create a better picture of the beer industry's significant impact here in the Granite State.

Total beer volume has been in decline in the US for some time. From 2001-2011, total beer volume dropped by 3.6%. Bucking the national trends, NH beer volumes grew by 5.9% over the same period¹ and we retained our first-in-the-nation ranking of beer sales per capita. As a result, the state's beer tax revenues have remained stable, providing between \$12.5-\$13 million per year to the General Fund. Of this revenue, it is estimated that more than 50% of our beer is sold to out-of-state residents, the vast majority of which reside in Massachusetts.

While visitors to the state purchase beer during their NH trips, beer is not as much of a driving factor as it used to be. The consumer discount on a case of beer was at one time as much as \$2.00 less than MA², but over the years this has been reduced to almost nothing, the only difference being a refundable deposit in MA. Consumers are challenged financially and are extremely price

¹ Beer Institute & NH SLC

² Border retailer records & distributor price surveys 1985-present

sensitive. With the cost of gas increasing, competition with MA heating up, and the economy still strained, any increase in retail pricing puts this volume and associated tax revenue at risk.

While the brewers and related industries have clearly outlined their impact to the state in terms of the number of desirable jobs, production and business taxes paid, capital and community investments, the impact from our local NH beer distributors is also significant. With over 1,000 jobs in the state, wages and salaries amount to almost \$90 million – a powerful economic impact to the state considering employee spending. When other taxes are considered, the beer distributors pay close to \$100 million in economic impact taxes³. This figure does not include the \$37 million in federal, state, and local excise and consumptions taxes on beer sold in NH.

Our NH distributors are good community citizens as well and are involved in a wide variety of community-building and charitable activities and responsibility initiatives all of which help create a more positive environment for citizens and businesses.

Beer is taxed heavily at the federal level as well, with taxes accounting for almost 40% of the consumer price. Our state excise tax is the second highest in New England and if raised by 33% would be the highest.

As the industry is starting to show signs of recovery⁴ and local brewing is growing, the benefits to the state economy are both real and measurable. Increasing the beer tax would not only risk jobs and related tax revenues, but also hamper our New Hampshire advantage and benefit the economies of our competitive New England neighbors.

Respectfully,



Scott Schaier
Executive Director

³ NBWA report 2013; Center for Applied Business & Economic Research

⁴ 2012 projected growth +1% NH; SLC shipment data through November 2012



Communicate ~ Educate ~ Legislate

110 Stark Street, Manchester, NH 03101-1977

Tel.: (603) 669-9333, Fax: (603) 623-1137

E-mail: service@grocers.org

Web Site: www.grocers.org

**Testimony on House Bill # 168
Increasing the Beer Tax
House Ways and Means Committee, LOB 202
Wednesday, January 23, 2013**

Good morning Madame Chairman and members of the Committee. For the record, my name is John Dumais and I am the President of the New Hampshire Grocers Association (NHGA). Our organization primarily represents every type of retail food store in the state of New Hampshire. These range from the small independent mom-and-pop markets and convenience stores up to the large chain operated supermarkets. For brevity, I have compiled most of the background information on our industry in a collaborative package you will receive today. I would however, like to take a few moments to express our real concern and objection to this Bill.

As elected officials, you should understand that 50% to 60% of this state's customer base resides outside of New Hampshire. That means we sell over half of all our products to people who do not live here. This fact is born out through countless studies by the Liquor Commission, our state's Lottery, the beer industry and even grocers. It is these "cross-border" consumers who are our best customers and make the biggest purchases. They are also the most likely to stop shopping here if prices are higher than in their own state.

Beer sales are one of the most price sensitive items in food store shopping baskets. For years we have had only slightly better prices than other states, so we sold more. Yet now we have evidence that, last year, beer sales in Vermont grew 5% higher, while in New Hampshire a similar size store (and the same distance from the border), recently reported their sales were down by 5%. The disparity is even greater for our stores located along the Massachusetts state line.

For grocers that is a real problem. With our minimal one-half of one percent net profit, grocers cannot afford to hire additional help or even offer current employees more hours. Eventually that means they cannot maintain their inventory, renovate their stores or even consider expansion.

Many times the food store is a draw for a community. If food stores are not doing well, that also means other businesses in town will have the same problems.

Ultimately that means it will be a state problem as sales diminish, employee benefits are reduced; commodity excise revenues and taxes decrease; and Business Profits and Business Enterprise taxes shrink.

Raising taxes, like the one proposed in this bill, are just not worth it for employers, employees, in-state residents, cross-border consumers, or state revenues.

We therefore respectfully ask you to find this Bill Inexpedient to Legislate. Thank you



Communicate ~ Educate ~ Legislate

110 Stark Street, Manchester, NH 03101-1977

Tel.: (603) 669-9333, Fax: (603) 623-1137

Toll Free Member's Line (877) 669-9333

E-mail: john@grocers.org

Web Site : www.grocers.org

N. H. Retail Food Industry Background

Facts and figures about the industry and its top-selling products and services.

Scope of the Industry

The New Hampshire retail food industry has 1,400-plus stores that account for more than \$12 billion in annual sales. Food stores are regulated and licensed, on average, by more than 10 state agencies and pay over \$8,000 per year in fees and compliance costs. Here are more details:

- **Employment:** NH food stores employ over 280,500 employees providing over \$1 million in payroll and benefits.
For many students, food stores are their first opportunity for a job.
- **Profitability:** After expenses, net profit is currently less than one penny for every dollar of sales (0.74%). This is the most modern high volume supermarkets. For smaller independent operators (mom and pops) the profits are substantially less and in many cases non-existent. This explains, in part, why over 25% of all food stores in New Hampshire go out of business each year.
- **Customer Base:** 40% of all New Hampshire food store customers live in neighboring states. At the same time, because they travel some distance to arrive here, those customers are responsible for 60% of all sales.
- **Consumer Incentive:** Consumers who reside in surrounding states will travel a great distance and "cross border" to New Hampshire for lower priced purchases. The greater the price difference the more often they will come. Impacting their decision to travel is dependent upon travel expenses (the price of gasoline) and their current perceived economy (is their job in jeopardy, how much income they have, etc.)
- **Product Incentives:** New Hampshire's number one draw for New England consumers is having no sales tax. That is an advantage for the *occasional* purchase of higher priced items like furniture, computers clothing, etc. However lower priced food and beverage products are a greater incentive to traveling to New Hampshire on a weekly or bi-weekly bases.
- **Product Categories:** Food stores have a number of products that are particularly price sensitive. They include milk, bread, alcoholic beverages and tobacco products. Any of these with a substantial difference from stores in their own state, will make the trip to New Hampshire worthwhile. Combined together, it becomes an overwhelming reason to shop here.
- **Consumer Shopping Patterns:** In 2012, consumers nationwide, made an average of 2.2 trips per week to supermarkets. Weekly grocery expenses for two adults average \$94.40. With children, that increases \$121.70. Convenience and small independents realize more frequent visits of 4.3 trips per week. Over 85% of these trips include gasoline with an average purchase of \$50.25.
- **Gasoline Purchases:** Price remains the dominant reason why consumers buy gas at a particular location. Customers cited gas prices as their primary reason for shopping a particular store.

Conclusion:

Food stores are a major contributor to state revenues, employment and tourism. Currently, grocers sell 48% of all retail table wine sales; 100% of all retail beer sales; 97% of all Lottery Ticket sales; 12% of all taxed meals; 98% of all gasoline sales; 99% of all cigarette sales; 93% of all pharmacy sales.

Food stores are in partnership with the state and their community. Items that are competitively priced, are responsible for bringing 40% more consumers to the state; impacting all businesses, recreational attractions and ultimately state revenues.

January 19, 2013

Josh Correia
Beer Manager
The Country Mile
Greenville, NH

Dear Sir or Madam:

I am writing to you as my family owns a retail business that would suffer should this proposed beer tax go through.

There is more competition on the border of NH and MA than there ever has been in regards to competitive pricing on beer. As the beer manager for the largest independent retailer in the State, I have witnessed what price increases and increased taxes on beer can do to sales.

Many sales reps have told us that our store is a barometer of the state in terms of how individual products are selling or departments as a whole are doing as we are always in the top tier for sales in beer, soda, cigarettes, wine, etc.

We sold over 210,000 cases of beer last year, with approximately 85% of that going over to customers from Massachusetts. So when there is a price increase or a tax increase, people in the industry will contact us to see how we have been affected. We have 32 years of records, and we know exactly what each increase did to our overall sales.

The most recent increase that affected us greatly was when Governor Deval Patrick implemented the 6.25% tax on beer and wine in Massachusetts. We started increasing our sales the day it was implemented. Prior to the tax, we had a steady increase of about 4% for five years on our beer sales. However, we were up over 20% the year the tax went into effect.

But it did not stop there. Cigarettes in the state of New Hampshire were down double digits for years building up to the tax increase. We maintained a lower decrease and we were only down 2-3% in cigarettes. When the tax hit in Massachusetts, we had our first increase in cigarettes in over five years, ending up at a 6% increase for the year. It was not only for cigarettes, it was all tobacco that was affected by the tax. Lottery had an outstanding year finishing at with a double-digit increase. Soda, a normally flat category, had a 10% increase and wine was up over 25% for the year.

On the other side of the coin, however, when the MA tax was voted down the following year we felt it negatively. Although we did retain many of our new customers that we got with the tax increase, consumers we not coming up as often or spending as much per visit and we lost a good percentage of our increases from the year before. We fought to try to stay even in the categories listed above but the increased sales from the tax were just too powerful.

The issue that border stores have been dealing with lately is that the difference in price for beer in New Hampshire compared to Massachusetts is very minimal. In some of the major packages like Bud and Bud Light 30pks, the only difference between New Hampshire and Massachusetts is the \$.05 deposit on each can. Every year there is a price increase on beer and New Hampshire has taken one routinely. However, Massachusetts has held their pricing on two of the last four increases, bringing our prices very close. Now with the increased fuel prices it is not worth it for people to drive 15-20 minutes to come to New Hampshire just for a retail savings of \$.05 per can or just over \$1.00 per case when it is costing them \$5-\$10 in fuel to make the drive, especially since they get that deposit back when they return the cans or bottles. The price difference used to be as much as \$2-\$3 per case on beer.

The proposed NH tax increase on beer would take away whatever we have left of the New Hampshire advantage and would hurt the state's border economy. Not only would it affect the state's revenue that is garnered from the taxes being charged on tobacco, beer, wine, spirits, lottery, etc. it would also affect individual stores and their employees. Our store employs eighteen people, but if we had lost over 10% in business overnight we would not be able to hold on to all of our employees, which is the case at many other border stores as well. There are many reasons to believe that increasing the tax on beer in New Hampshire would affect the state conversely to the way it helped when Massachusetts raised their taxes.

With the economy being in as bad of shape as it is, people are looking to save money and coming to New Hampshire is one way of doing that but if we raise the tax on beer, we will lose the New Hampshire advantage and both businesses and the state will take a financial hit.



Henniker Brewing Company, LLC
129 Centervale Road
P. O. Box 401
Henniker, NH 03242-0401
(603) 428-3579 - FAX (603) 428-3049
Fed. Lic. #BR-NH-21001 - NH Lic. #289418 EIN #: 45-2095303

January 22, 2013

Testimony of David P. Currier, Managing Member, Henniker Brewing Company before the NH House Ways & Means Committee on HB 168-FN-A to raise the beer tax.

Madam Chairman, Members of the Committee for the record I am David P. Currier of Henniker, NH. As a former State Senator and member of the House, I applaud the recent legislative efforts to enhance and encourage the brewing industry with the expansion of state statutes promoting nano-breweries.

We at Henniker Brewing Company have been navigating our way through countless Federal and State regulations during our process of becoming a newest licensed brewery here in New Hampshire. Now that we have fulfilled all of these requirements, it seems that some legislators in Concord believe that our industry should be unfairly pinpointed as needing even more taxes and regulations. Legislation like this works as disincentives for new businesses like ourselves and would help push away the growing microbrewery industry in this state. This bill is bad for business, bad for consumers and bad for beer. The \$7.00 a barrel federal tax and the \$9.30 a barrel state tax is a combined tax of \$16.30 a barrel which is already high enough in this economy.

Henniker Brewing Company has made a capital investment in excess of \$800,000 dollars, has initially created four new jobs with plans for more and occupies a building that would otherwise be vacant in a town that is clamoring for economic development to support their tax base.

I urge you to report this bill out of Committee as inexpedient to legislate (ITL). If you have any questions I would be happy to answer.



**The Prodigal Brewery
At Misty Mountain Farm
Effingham, New Hampshire 03882**

Dear Members of the House Ways and Means Committee,

My name is Paul Davis, and I am the owner of and brewer at The Prodigal Brewery at Misty Mountain Farm in Effingham. I am writing this letter to voice my opposition to the proposed increase in the New Hampshire beer excise tax from \$0.30 to \$0.40 per gallon.

While it may be natural to assume that any business owner would automatically be opposed to a tax increase, please allow me to express my dismay with this attempt to single out the brewing industry to fund an alcohol treatment and prevention program. For too long the responsible and moderate consumer of our products has been singled out to pay more than their fair share of taxes supposedly targeted towards the abuse of all alcohol products. These "sin" taxes are an easy political target that plays well in polls but are exposed when facts are shown in the light of day.

As a craft beer maker and consumer, I view beer as a food product which enhances the dining experience. No one questions wine's role on a restaurant menu, but beer seems to be portrayed as some frat party byproduct to be abused. Craft beer's surging popularity has done much to change this image.

New England has been viewed as a hotbed for new breweries and many thriving businesses in the area have created not only civic pride but good paying jobs across the three-tier industry. New Hampshire has lagged behind in this generation of new businesses and jobs. Obviously, this is not due to low sales of beer to the public, as our state consistently ranks highly in per capita sales. New Hampshire currently has the second highest beer excise tax in New England, behind Maine. This increase would place us as the highest and possibly in the highest 10 states in the country. Coupled with high licensing and registration fees compared with our neighbors, the diversity of brands available in New Hampshire is quite limited. Raising the excise tax will exacerbate loss of craft beer sales to surrounding states with lower taxes and better selection.

Since many of the smaller breweries in the state like Prodigal only distribute our beers in the state, this exodus of our consumers could put us at a competitive disadvantage with our neighboring craft brewers. Our industry has already seen record increases in the prices of our raw materials over the last five years and any additional tax burden would trickle down to the customer further threatening our ability to compete, expand and creating good paying jobs for our neighbors here in our home state.

My business is my passion, but also a good barometer to the damage that can be done by overburdening small business to pay for government services that are not our sole responsibility. I thank you for your consideration and ask you to think of one final fact: 43% of the cost of that locally made beer you enjoy and promote is derived from federal, state and local taxes.

I think we have paid our share and we look forward to a vital and growing New Hampshire beer scene that promotes quality over quantity.

Cheers,

A handwritten signature in black ink, appearing to read 'PRD', with a stylized flourish extending from the end.

Paul R. Davis

Founder/Brewer

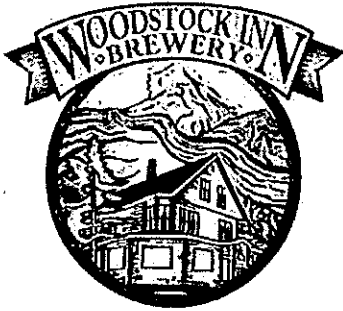
The Prodigal Brewery at Misty Mountain Farm

Effingham, NH 03882

prodigalbrewing@gmail.com

www.theprodigalbrewery.com

(603) 539-2210



January 22, 2012

To Whom It May Concern:

Inn, Station & Brewery

I would like to express our absolute opposition to HB 168 to increase the beer tax in New Hampshire for many reasons.

135 Main Street
N. Woodstock, NH 03262

New Hampshire is already taxing beer at the second highest rate in New England and any increase would put New Hampshire Breweries at a disadvantage.

Reservations

1-800-321-3985

The Brewing industry is one of the few that are seeing growth in New Hampshire and adding jobs. We just spent 3 million dollars on a renovation to increase production that will create 12 new jobs at our brewery. This increase threatens our expansion plans as well as others in process such as Smutty nose.

Phone 603-745-3951

Fax 603-745-3701

The best way to increase beer taxes for this industry is to maintain the tax rate and let breweries be creative, create new products and grow.

Regards,


Scott G Rice

Woodstock Inn Brewery

Brewery Sales

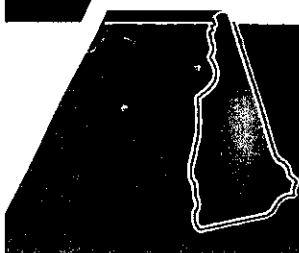
P.O. Box 118
N. Woodstock, NH 03262

Phone 603-745-3591

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www.WoodstockInnNH.com

Relax@WoodstockInnNH.com



New Hampshire

Based on 12 Beer Distributor Establishments in New Hampshire

IMPACT MEASURES	JOBS	WAGES & SALARIES	TOTAL VALUE OF PRODUCTION	TOTAL STATE, LOCAL & FEDERAL TAXES PAID*
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Beer Distributors Are Significant Businesses in Their Communities: The Economic Impact of Beer Distributor Business Operations

New Hampshire's Beer Distributor Operations	1,028	\$89,249,624	\$189,076,688	
Operations of All Indirect Input Producers	384	\$21,344,122	\$56,038,945	
Stimulus Induced by Spending of All Employees	1,218	\$56,282,514	\$165,436,217	
Total Impacts on New Hampshire from Beer Distributor Operations	2,631	\$166,876,259	\$410,551,849	\$96,217,157

+

Beer Distributors Make Substantial Capital Investments in Their Communities: The Economic Impact of Beer Distributor Investment in Structures, Vehicles, Software, Energy Saving Technology and Other Equipment

Total Impacts on New Hampshire from Beer Distributor Investment	127	\$6,746,518	\$18,721,429	\$2,095,786
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Beer Distributors Are Good Citizens of Their Communities: The Economic Impact of Beer Distributor Support of Community Events, Charitable Activities and Local Economic Development

Total Impacts on New Hampshire from Beer Distributor Community Involvement	10	\$383,840	\$1,044,570	\$103,710
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Total Economic Impact of Beer Distributor Operations, Investment and Community Involvement

Sum of Beer Distributor Impacts on New Hampshire from Operations, Investment and Citizenship	2,767	\$174,006,618	\$430,317,848	\$98,416,654
Multipliers	2.69	1.95	2.28	

*Economic impact taxes only; does not include an added \$37 million in federal, state and local excise and consumption taxes on beer sold in New Hampshire.

How the Total Economic Impact is Distributed Across Selected Industries

BUSINESS SECTOR NAMES	JOBS	WAGES & SALARIES	TOTAL VALUE OF PRODUCTION
Personal Services	143	\$9,394,755	\$17,692,189
Food services and drinking places	119	\$2,349,579	\$7,045,798
Real estate establishments	73	\$1,049,791	\$9,357,802
Retail Stores - Food and beverage	45	\$1,040,991	\$2,141,640
Retail Stores - General merchandise	33	\$955,140	\$2,029,454
Retail Stores - Motor vehicle and parts	31	\$1,616,074	\$3,162,711
Employment services	29	\$930,513	\$1,311,980

Added Economic Benefits Due to Efficiencies of Wholesale Beer Distribution: Transportation, Transactions, Marketing and Consumer Choice in New Hampshire

State Share of National Total of \$22 Billion in Efficiency Benefits	\$139,166,253
State Share Per Retailer Annually	\$71,075
State Share Per Retailer Daily	\$195
Number of Teacher Hours Supportable by Efficiency Benefits Annually, or	5,591,906
Miles of Highway Maintenance Supportable by Efficiency Benefits Annually	5,009

Description of Community Involvement Activities

Beer distributors in New Hampshire are involved in a wide variety of charitable, economic development and community-building activities. In addition they are good corporate citizens in their support of energy conservation, recycling and other green initiatives. New Hampshire's beer distributors also play a vital role in alcohol awareness and education. New Hampshire beer distributors have been serving the local community by focusing on education, the environment, economic development and health and well-being. These distributors sponsor a multitude of organizations including local high schools, the Audubon Society of New Hampshire, the New Hampshire Food Bank and the Arthritis Foundation. They have sponsored and implemented responsibility programs including Thanks for Choosing a Designated Driver, Alert Cab, Check into a Winning Life and S.A.F.E. - Street Smart. The common message of these programs has been delivered to students and parents throughout the community.

How the Taxes Generated by Beer Distributors Benefit Communities in New Hampshire

The total taxes collected in New Hampshire by federal, state and local governments are sufficient to fund over 3,954,527 teacher hours or to provide maintenance for 3,542 miles of highways in New Hampshire for a year.

January 23, 2013

The Honorable Susan W. Almy, Chair
House Ways and Means Committee
Legislative Office Building, Room 202
Concord, NH 03301

Re: New Futures Support for HB 168 (an act increasing the beer tax)

Dear Representative Almy and Honorable Members of the Committee:

On behalf of New Futures, a nonprofit, nonpartisan organization working to reduce alcohol and other drug problems in New Hampshire through advocacy, education, and collaboration, I write to express our strong support for HB 168 which proposes to increase the beer tax from \$.30 per gallon to \$.40 per gallon and designates the increased revenue to the Alcohol Abuse Prevention and Treatment Fund established by RSA 176 – A: 1 for alcohol and other drug abuse prevention, intervention and treatment services. I offer the following information in support of our position.

What is the Beer Tax in New Hampshire?

- The current beer tax rate is \$9.30 per 31 gallon barrel or \$.30 per gallon, which translates into 2.8 cents per 12 ounce serving, 17 cents per six pack, and 84 cents per thirty pack.
- In New Hampshire beer is taxed at the wholesale level and the tax is paid by the distributors.
- With the exception of a temporary surcharge of \$.05 per gallon (effective from April 1, 1990 – June 30, 1991, when it automatically expired), the beer tax in New Hampshire has not been increased in 30 years.
- The beer tax generated \$12.8 M in state revenue in SFY 2012 on sales of 42.9 M gallons.

What Does HB 168 Do?

- HB 168 would increase the beer tax by \$.10 per gallon. If the entire tax increase were passed on to the consumer, HB 168 would increase the price of a 12 ounce can of beer by less than a penny.
- HB 168 would dedicate the additional revenue generated by the tax increase to the Alcohol Abuse Prevention and Treatment Fund (the "Alcohol Fund") which provides funding for numerous community – based alcohol and other drug prevention and treatment programs.
 - Currently, no proceeds from the beer tax are dedicated to the Alcohol Fund.
 - The SFY 2012/2013 budget reduced the biennial appropriation to the Alcohol Fund by 55% - from \$7.2 M in SFY 2010/2011 to \$3.2 M in SFY 2012/2013, and resulted in the elimination of 36 community-based prevention programs and a 20% reduction in funding for alcohol and other drug treatment. It is estimated that program closures and reductions resulted in the loss of as many as 50 jobs.

How Would HB 168 Affect Beer Sales and State Revenue From the Beer Tax?

- Based upon the comprehensive analysis in the January 2013 Summary Update (*The Impact of Increasing the Beer Tax in New Hampshire*) to the 2009 report from PolEcon Research, *The Fiscal and Economic Impacts of Increasing the Beer Tax in New Hampshire* (collectively referred to as the “Updated PolEcon Report”), it is expected that:
 - In the first year of the \$.10/gallon tax increase, beer sales will decrease by 1.6%, but after the first year of the tax increase, sales will recover over one-half of the sales loss.
 - Even with the sales loss, the \$.10/gallon tax increase will increase state revenues by an estimated \$3.9 M (an increase of 30%) in the first year of the tax increase. Because of the high percentage of beer sales in New Hampshire to nonresidents (estimated to approach 50%), \$2.0 M of the increased revenue will come from New Hampshire residents and \$1.9 M from nonresidents.
- Statements that increasing the beer tax as provided in HB 168 will result in an actual reduction in state revenues are completely without merit. The PolEcon Report estimate that if the beer tax were doubled to \$.60/gallon, revenues from the beer tax would increase by \$11.2 M.

What Would Be the Impact of HB 168 on New Hampshire Businesses?

- Impact on beer manufactures.
 - Manufacturers are not taxed on the beer that they sell to wholesale distributors. Distributors pay the beer tax (and presumably fully pass it on until the ultimate incidence falls on consumers).
 - Manufacturers would not be adversely affected by a loss of sales in New Hampshire if these sales are simply shifted to another state because the total volume of sales is not diminished.
- Impact on retailers. As demonstrated by the Updated PolEcon Report, supermarkets and convenience stores that sell gasoline account for more than 80% of packaged beer sales in New Hampshire. On average, such retailers will experience a one-tenth of one percent decline (.001) in revenue from lost beer sales were the beer tax to be increased by \$.10/gallon.
- Impact on employment. As indicated in the Updated PolEcon Report, because half of the new revenue from the \$.10/gallon beer tax increase will come from nonresidents and all of the new revenue will be spent in New Hampshire on non-government alcohol and other drug prevention and treatment programs that employ New Hampshire residents and purchase goods and services in New Hampshire, the total job impacts of the proposed beer tax increase are “essentially a wash.”

What Would Be the Impact of HB 168 on New Hampshire Consumers?

- The Updated PolEcon Report describes the following impacts of HB 168 on New Hampshire consumers and households:
 - Assuming the average New Hampshire beer drinker consumes a 12 pack per week and that the full amount of the \$.10/gallon tax increase is passed on the consumer, the impact of HB 168 would be 11 cents per week or \$5.72 per year. For an individual who consumes 30 beers per week, the additional weekly cost would be 28 cents (\$14.56 annually).

- Of the portion of the tax increase paid by New Hampshire residents, almost 60% would be paid by residents in households with annual incomes of \$50,000 or more.
- Based on national data, most alcohol is consumed by people who drink a lot. People who do not drink or who are moderate drinkers will pay very little. Problem drinkers will pay the most.
 - 35% of the population does not drink.
 - 80% of drinkers consume only 19.6% of the total alcohol consumed.
 - 5% of drinkers consume 48% of the total alcohol consumed.
- Most alcohol, even beer, is consumed by higher income consumers (Cook, *Paying the Tab*, 2007).

What Is the Cost of Excessive Alcohol Consumption in New Hampshire? Although not directly implicated by HB 168, we note that the recently release PolEcon Report, *The Economic Impact of Excessive Alcohol Consumption in New Hampshire*, conservatively estimates that excessive alcohol consumption in New Hampshire costs our state economy \$1.15 billion per year with 2/3 of these costs associated with workforce productivity losses.

In conclusion, in this time of substantial budget challenges as the General Court examines all revenue sources, the case for increasing the beer tax is compelling.

- With the exception of a temporary surcharge in 1990, the beer tax has remained unchanged in 30 years. To the extent that during this period numerous other personal and business taxes have increased, many New Hampshire taxpayers are involuntarily subsidizing cheap beer.
- Research demonstrates that increasing the beer tax will generate significant revenue and will not adversely affect New Hampshire residents or businesses.
- At a time when the state seeks to optimize revenue from the sale of alcohol, it makes no sense to leave money on the table by failing to increase the beer tax, a reliable source of revenue.

We respectfully request that the Committee recommend HB 168 Ought to Pass. Please do not hesitate to contact me for additional assistance or information. Thank you.

Sincerely,



Tricia H. Lucas, Esq.
Advocacy Director
New Futures
10 Ferry Street, Suite 307
Concord, NH 03301
603.225.9540, ext. 110
tlucas@new-futures.org

Summary Update

The Impact of Increasing the Beer Tax in
New Hampshire

January, 2013



Executive Summary

This report updates prior analyses of the impact of increasing the beer tax in New Hampshire by refining our econometric forecast model and by incorporating additional years of sales, price and tax revenue data to produce an estimate of sales and tax revenue that would result from beer tax increases ranging from \$.01 to \$.30. Although only one specific proposal to raise the beer tax is being considered, the report considers a broader range of changes to the tax rate to help policymakers gain a better understanding of the dynamics and implication of changes to the beer tax rate.

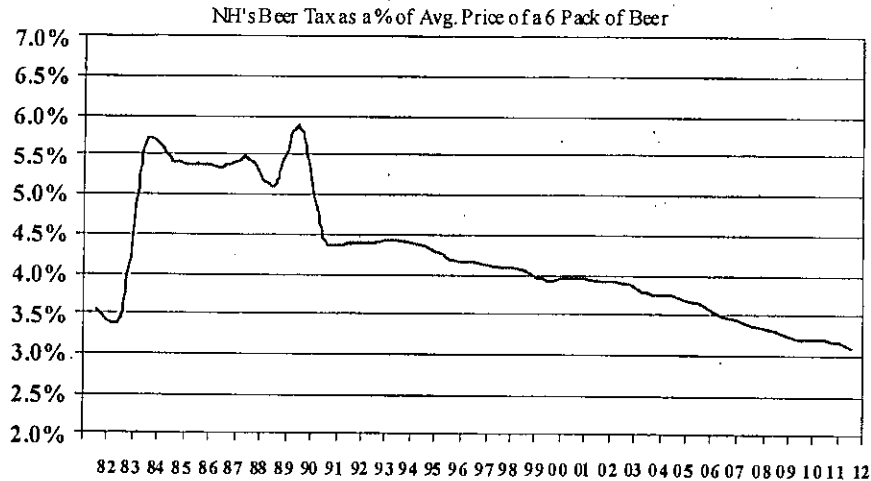
Unlike most taxes and fees, New Hampshire's excise tax on beer (commonly referred to as the "beer tax") has not changed in 25 years, except for a brief, temporary, surtax in 1990. Because the tax is not based on sales price it has grown slowly and the amount of real, inflation adjusted revenue it yields has eroded significantly. NH's current beer tax rate of \$.30 per gallon applied to the sale of common quantities of beer adds 2.6 cents to the price of each 12 ounce serving, 17 cents to the price of a six pack, 34 cents to the price of a 12 pack and 84 cents to the price of a 30 pack.

This report uses standard tools, methods and models of economic analysis to prepare an independent analysis that seeks to inform elected and appointed officials and members of the public interested in the economic and fiscal impacts of raising New Hampshire's beer tax. We improve upon estimates of the impact of changes to the beer tax on sales in NH that simply use national price elasticity estimates applied to NH. We use historical beer sales, price, and tax data for NH and other states going back to 1970 to determine the relationship between beer prices, beer tax rates, beer sales, and beer tax revenue in NH. Using 40 years of data our econometric model estimates the price elasticity of beer sales in NH (the impact that price increases have on beer sales in NH) that forecast the impact of beer tax and associated price increases on beer sales in New Hampshire.

Key Findings Of The Updated Report Include:

The Beer Tax as a Percentage of the Retail Price of Beer Continues to Decline: The last permanent beer tax increase was in 1983 (FY1984), although a temporary surtax of an additional 5 cents per gallon was added in 1990 and removed in 1991. As a percentage of the retail price of a six pack of beer, the excise tax has gone from a high of 5.85% during the surtax of 1990, to an estimated 3.1% in 2012.

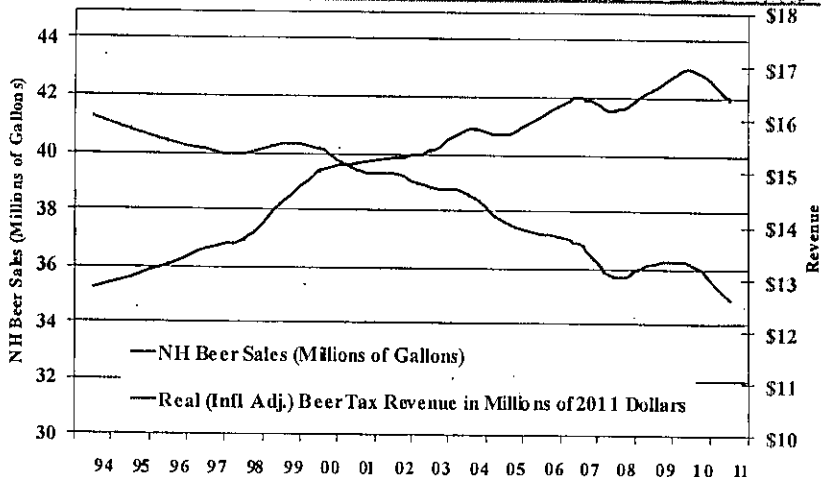
Figure 1
NH's Beer Tax as a Percentage of The Retail Price of a Beer Continues to Decline



Source: Price data from NIH/NIAA, The Beer Institute, PolEcon calculations

Real (Inflation Adjusted) Beer Tax Revenue Declined by 21 Percent Between 1994 and 2011, While Beer Sales Increased by 19 Percent, Beer Prices Increased by an Estimated 40 Percent, and NH's Beer Tax Remained the Same: Beer prices in NH increased by about 40 percent between 1994 and 2011, while beer sales and tax revenue increased by about 19 percent. However, because the beer tax is an excise tax, and not an ad valorem tax based on the dollar value of sales, the real, inflation adjusted value of beer tax collections fell by 21% between 1994 and 2011.

Since 1994, Beer Sales Have Increased by 19% While Revenue, on an Inflation Adjusted Basis, Has Declined by 21%



Source: The Beer Institute "Brewers Almanac", U.S. Bureau of Statistics, and PolEcon Calculations

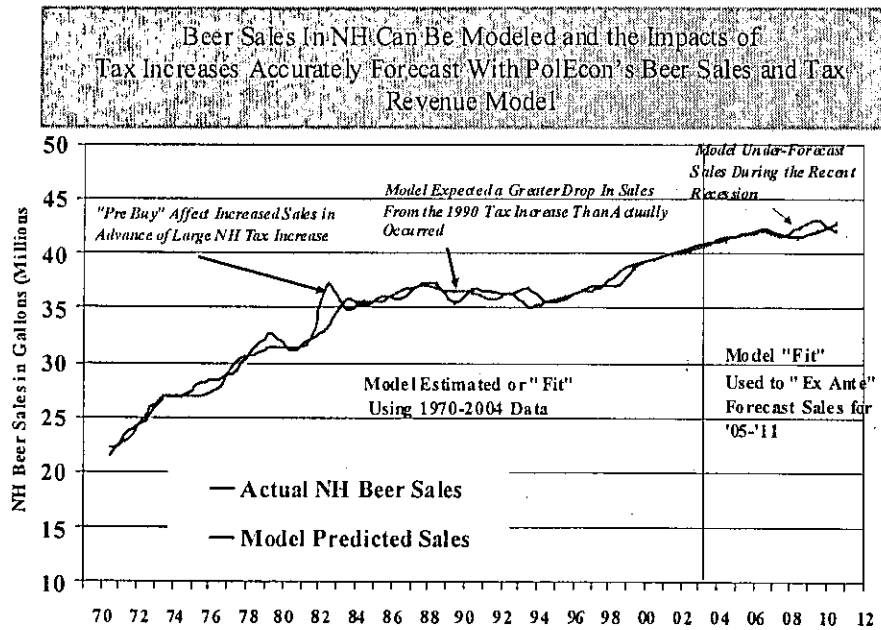
Beer Sales are More Responsive to Changes in Price Than in Many States: Taxes are a part of the final price paid by consumers. If consumer sensitivity to price changes is high, tax increases that lead to higher prices could theoretically reduce revenues. However, in reality while sales often decline in response to a tax increase, the revenue increases resulting from the tax increase are typically much larger than the effect of lower sales. Because NH's beer tax represents a relatively small and declining portion of the final price of beer (only about 3%), it is likely that a tax increase will have a comparatively small impact on final consumption levels. However, because a significant percentage of NH's beer sales occur along state borders, to non-NH residents, the price elasticity of demand for beer in NH is likely to be greater than that suggested by national studies. While our price elasticity estimate for beer in NH is larger than found in national studies, the overall impact on sales of a tax increase modeled here (between \$.05 and \$.30) is small because the increase in the price of packaged beer that would result from even a \$.10 per gallon increase in NH's tax rate (assuming the tax increased is fully passed through to the consumer) is small. A \$.10 per gallon tax increase would increase the price of a single serving 12 ounce beer by about 1 cent, a 6 pack of beer by 6 cents, and a 30 pack by 28 cents

An increase in the beer tax and a concomitant increase in its price could be accommodated by consumers, wholesalers, and retailers in NH and elsewhere in a number of ways:

- ◆ Consumers could increase purchases of lower cost brands, in which case any increase in the tax rate would not produce a decline in sales and NH would receive the maximum revenue increase from the tax increase.
- ◆ Consumers could make fewer beer purchases, in which case state revenue may or may not decline. In most cases the percentage increase in the tax rate is much greater than the percentage decline in unit volume sales and revenues increase.
- ◆ Consumers (especially from other states) could make fewer beer purchases in NH because NH's price advantage is narrowed. In this case revenues will also increase if the percentage increase in the tax rate exceeds the percentage decline in sales.
- ◆ Wholesalers and retailers in Massachusetts may "shadow price" or increase their prices to increase their profit on each sale of beer but in doing so they maintain existing price differentials with NH retailers despite the tax increase in NH. In this situation MA businesses look to increase profits on their current level of sales rather than increase market share.
- ◆ Massachusetts state government could "shadow price" if NH raised its tax rate. If MA businesses do not raise their prices after NH raised its beer tax they could increase sales and revenues, or MA state government could look to capture some of the increased revenues MA businesses might receive from a NH tax increase. If MA state government raises its tax rate to a level that maintains the existing price differential between the two states, it essentially captures (via a tax increase), much of the increased revenue that would have gone to MA businesses had MA state government not increased its beer tax. If either MA businesses or MA state government shadow prices in response to

a NH beer tax increase then a NH tax increase would yield more revenue for state government than projected in this report.

Beer Sales and Beer Tax Revenues Resulting From Changes in NH's Beer Tax Can Be Accurately Modeled and Forecast: The accuracy of our predictive model of beer sales in New Hampshire can be tested by estimating the statistical relationships between the predictor variables and NH beer sales for the years 1970 to 2004. These years include three time periods where beer taxes were raised. The statistical relationships found in the model for years 1970 to 2004 are then used to predict NH beer sales from 2005 to 2011 and these model-based forecasts can be compared to actual sales data for 2005-2011 to see how accurately the model can predict future sales.¹ Figure 3 below shows actual beer sales in New Hampshire for 1970 to 2004 along with the model 'fit' for those years, as well as model-based forecasts for 2005-2011 along with actual sales for those years.



Source: Actual Sales from NIH, NIAA and "The Brewers Almanac", PolEcon Research Model of NH Beer Sales,

The table below provides detailed data on actual and model forecast of sales for recent years. The largest model errors were during the recent recession when it under-forecast actual beer sales in the state.

¹ The method of "holding out" some years of data and using models based on a subset of data to predict actual prior year data is a commonly used method to evaluate predictive models. It is also sometimes referred to as "ex ante" forecasting. See: Armstrong, J. S. (2001d), "Evaluating Forecasting Methods," in J. S. Armstrong (ed.), *Principles of Forecasting*. Norwell, MA: Kluwer Academic Press.

Actual and Model Forecasts of NH Beer Sales 2005-011 (Gallons)			
	<u>Forecast</u>	<u>Actual</u>	<u>% Difference</u>
2005	41,074,666	41,467,754	-0.9%
2006	42,017,483	41,639,150	0.9%
2007	42,127,095	42,000,753	0.3%
2008	41,780,241	41,564,211	0.5%
2009	41,346,051	42,281,241	-2.2%
2010	42,059,218	42,995,264	-2.2%
2011	42,769,394	41,994,903	1.8%

With A Proposed \$.10 Tax Increase, Revenues Will Increase by About \$3.9 Million, Even As Beer Sales Decline: If nothing else changes to affect the price of beer in New Hampshire or the price differential between beer in NH and beer in Massachusetts, beer sales can be expected to fall by about 1.6 percent or just over 671,400 gallons in the first year following a \$.10 tax increase.

- After the initial first-year drop in beer sales related to ‘pre-buying’ to avoid the tax increase as well as price impacts of the tax increase, sales rebound and regain more than one-half of the sales lost due to a tax increase (sales may rise or fall for other reasons but of the portion attributable to a tax increase, more than one-half of the decline is reversed after the first year.)
- Using the most recent data available, our model indicates that a \$.10 increase in New Hampshire’s beer excise tax will yield at least \$3.9 million annually in additional revenue for the state.
- Despite a 1.6 percent decline in sales, NH’s beer excise tax revenues will increase by about 30 percent.
- With a \$.10 per gallon beer tax increase (to \$.40 per gallon) beer sales in New Hampshire would have to decline by about 36 percent (or 23 times our estimated decline) before the state would lose revenue from the tax hike.²
- The Table below presents key impacts of tax increases in a range of \$.01 to \$.30. The table shows that despite declines in beer sales, rate increases continue to produce additional new revenue, albeit in smaller amounts with each increase.

² State beer tax revenue currently equals approximately \$13 million dollars. At a new tax rate of \$.40, gallons sold would have to be less than 32 million to yield less than \$13 million in revenue. Current total gallons sold exceeds 43 million and a decline to below 33 million gallons would be 36 percent (32/43=.36).

The Impact of Increasing the Beer Tax in New Hampshire: An Update

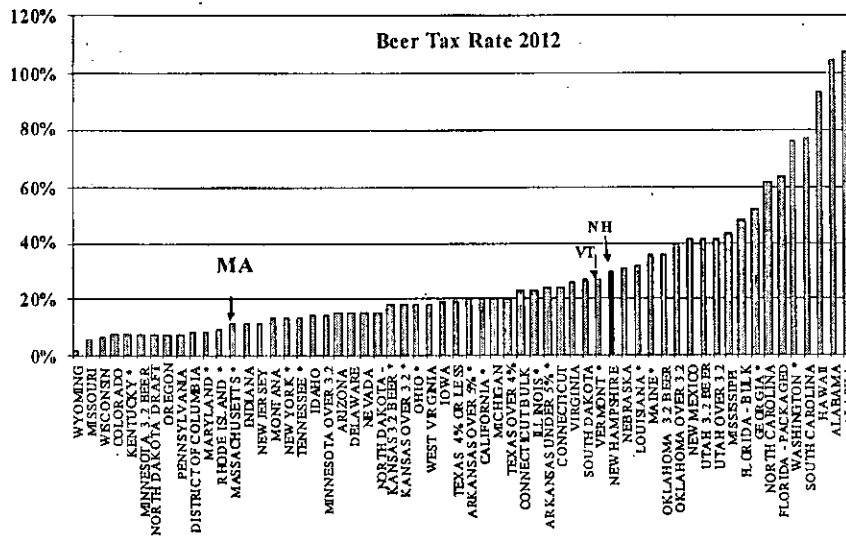
Sales, Revenue, and Price Impacts of a NH Beer Tax Rate Change								
Tax Increase (Per Gallon)	Price Increase Per Serving				% Price Increase From Tax Increase*	Total New Revenue Raised	Marginal (Incremental) Revenue Raised Per Cent Increase	First Year Beer Sales Decline**
	12 Oz. Serving	6 Pack	12 Pack	30 Pack				
\$0.01	\$0.001	\$0.01	\$0.01	\$0.03	0.08%	\$394,736		-0.2%
\$0.02	\$0.002	\$0.01	\$0.02	\$0.06	0.17%	\$788,129	\$393,393	-0.3%
\$0.03	\$0.003	\$0.02	\$0.03	\$0.08	0.25%	\$1,180,179	\$392,050	-0.5%
\$0.04	\$0.004	\$0.02	\$0.04	\$0.11	0.33%	\$1,570,886	\$390,707	-0.6%
\$0.05	\$0.005	\$0.03	\$0.06	\$0.14	0.50%	\$1,960,250	\$389,364	-0.8%
\$0.06	\$0.006	\$0.03	\$0.07	\$0.17	0.58%	\$2,348,271	\$388,021	-1.0%
\$0.07	\$0.007	\$0.04	\$0.08	\$0.20	0.67%	\$2,734,950	\$386,678	-1.1%
\$0.08	\$0.007	\$0.04	\$0.09	\$0.22	0.75%	\$3,120,285	\$385,335	-1.3%
\$0.09	\$0.008	\$0.05	\$0.10	\$0.25	0.83%	\$3,504,277	\$383,992	-1.5%
\$0.10	\$0.009	\$0.06	\$0.11	\$0.28	0.92%	\$3,886,927	\$382,649	-1.6%
\$0.11	\$0.010	\$0.06	\$0.12	\$0.31	1.00%	\$4,268,233	\$381,307	-1.8%
\$0.12	\$0.011	\$0.07	\$0.13	\$0.34	1.08%	\$4,648,197	\$379,964	-1.9%
\$0.13	\$0.012	\$0.07	\$0.15	\$0.36	1.25%	\$5,026,818	\$378,621	-2.1%
\$0.14	\$0.013	\$0.08	\$0.16	\$0.39	1.33%	\$5,404,095	\$377,278	-2.3%
\$0.15	\$0.014	\$0.08	\$0.17	\$0.42	1.42%	\$5,780,030	\$375,935	-2.4%
\$0.16	\$0.015	\$0.09	\$0.18	\$0.45	1.50%	\$6,154,622	\$374,592	-2.6%
\$0.17	\$0.016	\$0.10	\$0.19	\$0.48	1.58%	\$6,527,871	\$373,249	-2.7%
\$0.18	\$0.017	\$0.10	\$0.20	\$0.50	1.67%	\$6,899,777	\$371,906	-2.9%
\$0.19	\$0.018	\$0.11	\$0.21	\$0.53	1.75%	\$7,270,340	\$370,563	-3.1%
\$0.20	\$0.019	\$0.11	\$0.22	\$0.56	1.83%	\$7,639,560	\$369,220	-3.2%
\$0.21	\$0.020	\$0.12	\$0.24	\$0.59	2.00%	\$8,007,438	\$367,877	-3.4%
\$0.22	\$0.021	\$0.12	\$0.25	\$0.62	2.09%	\$8,373,972	\$366,534	-3.6%
\$0.23	\$0.021	\$0.13	\$0.26	\$0.64	2.17%	\$8,739,163	\$365,191	-3.7%
\$0.24	\$0.022	\$0.13	\$0.27	\$0.67	2.25%	\$9,103,012	\$363,848	-3.9%
\$0.25	\$0.023	\$0.14	\$0.28	\$0.70	2.34%	\$9,465,517	\$362,506	-4.0%
\$0.26	\$0.024	\$0.15	\$0.29	\$0.73	2.42%	\$9,826,680	\$361,163	-4.2%
\$0.27	\$0.025	\$0.15	\$0.30	\$0.76	2.50%	\$10,186,500	\$359,820	-4.4%
\$0.28	\$0.026	\$0.16	\$0.31	\$0.79	2.59%	\$10,544,976	\$358,477	-4.5%
\$0.29	\$0.027	\$0.16	\$0.33	\$0.81	2.75%	\$10,902,110	\$357,134	-4.7%
\$0.30	\$0.028	\$0.17	\$0.34	\$0.84	2.84%	\$11,257,901	\$355,791	-4.8%

*Price increase calculated on the basis of the average cost of the least expensive domestic beer (12 pack) using price information from www.saveonbrew.com.

** This decline is for the year immediately following the tax increase. Our analysis shows that about on-half of this decline is attributable to "pre-buying" before the tax increase takes affect and other factors that temporarily reduce sales following a tax increase.

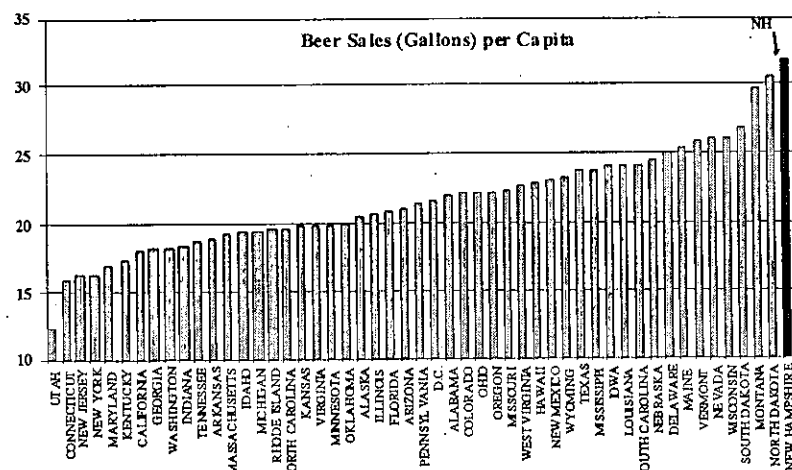
Despite a Higher Beer Tax Rate, Beer Sales in NH are 40% Higher Than are Beer Sales in Massachusetts: NH's beer tax rate is higher than is the rate in Massachusetts, yet NH's beer sales are 40% higher per capita than are beer sales per capita in Massachusetts.

NH's Beer Tax Rate is in the Upper-Middle of All States But Despite NH's Higher Beer Tax Rate, Per Capita Sales are Much Higher in NH Than in MA



This highlights the fact that state beer taxes comprise only a very small portion of the overall price of beer in a state and that other pricing considerations play a much larger role in beer sales differentials. It also highlights the fact that much of the high per capita sales of beer in NH is the result of the high volume of visitors to the state who may

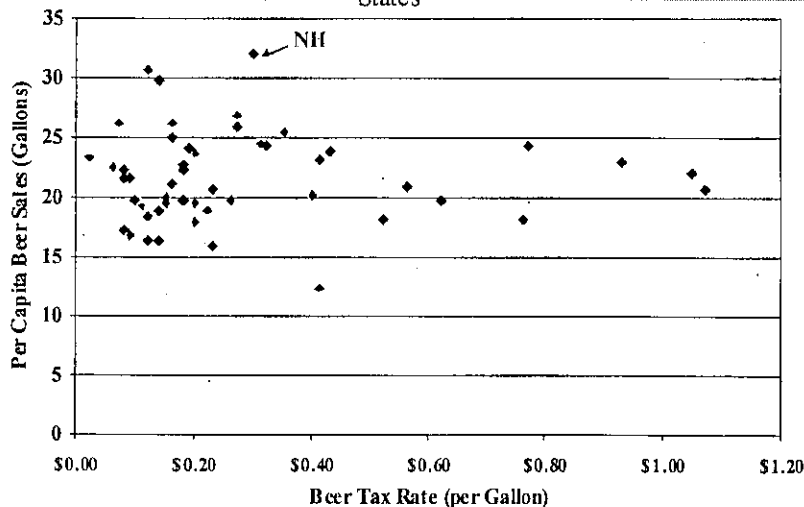
Despite Not Having the Lowest Beer Tax Rate in the Nation, NH's Per Capita Beer Sales are the Highest in the Country. Beer Sales Depend More on Visits to the State Than to Tax and Price Differentials.



purchase or consume beer while in the state, and not simply the result of ‘cross-border shoppers’ making beer purchases in NH because of lower prices (although price-induced cross-border sales still play an important role).

There is No Statistically Significant Relationship Between State Beer Tax Rates and Beer Sales Per Capita: Many factors influence beer sales in a state. Beer sales in states with vibrant tourist and visitor dependent industries typically benefit by the purchases made by out-of-state-visitors in the course of their visits. These purchases are made by out-of-state residents but are not, by definition, “cross-border” shoppers expressly looking for lower prices on beer (or other goods). New Hampshire also benefits from having a reputation as a “tax-free” retail sales environment that draws residents into the state who, while they are in the state, also make purchases of goods and services that are not “tax free.” The figure below shows the lack of relationship between state beer tax rates and state beer sales per capita. Each marker on the scatter plot indicates one state’s beer tax rate along the “x” or bottom, horizontal axis, as well as the state’s per capita beer sales on the “y” or left, vertical axis.

Across the 50 States There is No Statistical Relationship Between per Capita Beer Sales and the Beer Tax Rate (States With \$1.00 Tax Rates Have Similar Per Capita Sales to States With Rates of \$.10). Some States (Like NH) Have Border Effects but Because State Beer Taxes (in Most Cases) are Only a Small Fraction of the Price of Beer – Rate Variations Have Little Impact on Sales Differences Between States



Source: The Beer Institute “Brewers Almanac”, PolEcon.

States With a High Level of Employment in Breweries (1,000 or More Jobs), With One Exception, Tend to Be in States With Lower Beer Taxes. For States With Smaller Breweries and Lower Levels of Employment in Breweries, There is no Relationship Between State Beer Tax Rates and Brewery Employment: Most states with large brewery employment such as Missouri, Colorado, California, Wisconsin, Pennsylvania, New York and Ohio, as well as others, have a long history of large brewing operations. Many are also considered “high-tax states” by most measures (New York, California, Wisconsin, Pennsylvania, Ohio) except for their beer tax. The association between

brewery employment and lower beer tax rates evident in generally higher tax states may be an indication that relatively lower beer tax rates are the result of the influence of large brewers on public policies in those states rather than lower tax rates stimulating brewery employment.

The Employment Impacts of a \$.10 Beer Tax Increase are a "Wash" Despite Declines in Beer Sales: About one-half of the tax increase resulting from a \$.10 increase in NH's beer tax would be paid by out-of-state residents while NH will benefit from 100 percent of the expenditures on goods and services that result from the increase in tax revenue. The result is a neutral impact on employment in the state.

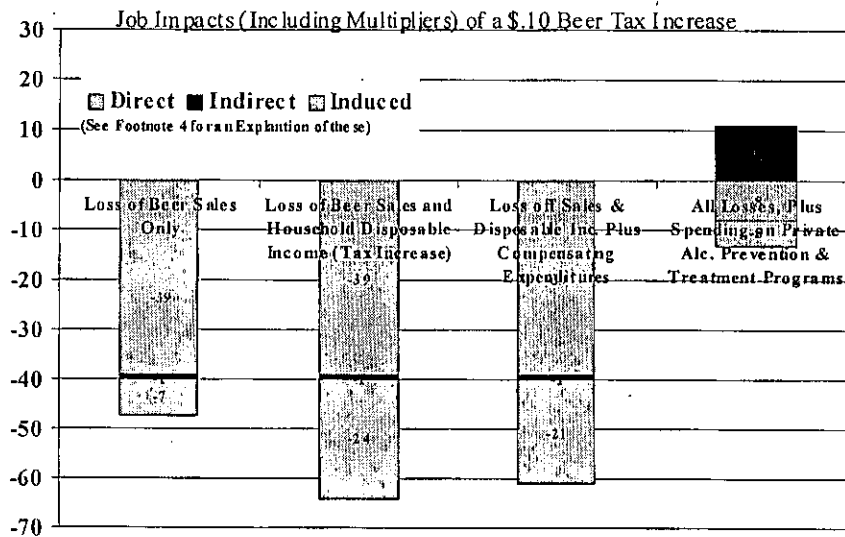
Concerns over the economic impact that a decline in beer sales may have on the economy are a necessary caution in considering any change in NH's beer tax rate. Lawmakers are rightly cautious about implementing policies that may have detrimental impacts on employment or growth in New Hampshire, and even more cautious when the economy is weak. Despite the important role economic considerations play in the debate over beer taxes, there has been remarkably little solid empirical evidence on the impacts of beer tax increases introduced into the policy debate.

Estimating the economic impacts of the proposed \$.10 tax increase requires an understanding of how at least four factors affected by the tax increase impact the New Hampshire economy.

- The loss of revenue to businesses from a decline in beer sales. This loss must be "marginized" to account for the fact that the real loss of revenue to businesses is only the "markup" or margin portion of the price they receive.
- How much of the additional tax is paid by NH residents and how much is paid by out-of-state residents.
- A reduction in disposable income as a result of the tax increase paid by New Hampshire residents who pay the additional tax.
- How much of the new revenue is spent by state and local government, and on what services, influence overall economic impacts of the tax increase.

Our best estimate of the impacts on NH employment of a \$.10 beer tax increase is that employment impacts will range from a -11 jobs to a +11 jobs in the state. The tax increase will have a small impact on beer prices that will have a limited impact on beer sales that will affect retailers. In addition, NH households that do not reduce their consumption of beer in response to a tax increase will see a reduction in disposable income of about \$2 million (or one-half of the tax increase – because non-residents will pay about one half of the tax increase) and we allocated that decrease in household income across income groups in NH according to the expenditures patterns on malt beverages by income and the distribution of households in NH by income. Some NH residents will reduce their beer purchases in response to the tax increase but will spend an equivalent amount of money on goods and services (we estimate that about 15% of the decline in beer sales will result in spending on other goods and services). Finally, the added tax revenue will be used to fund alcohol prevention and treatment programs, most of which are in the private and not-for-profit sectors of the NH economy. We combined each of these impacts and used an economic model of the NH economy³ to estimate the employment impacts of the combined effects listed above.⁴ The result is a point estimate of net impacts of -2 jobs in the state, with a confidence interval (with a 95% level of confidence) that the range of employment impacts will fall within +/- 11 jobs in the state.

Because Half of the New Revenue from a \$.10 Beer Tax Increase Will Come From Non-Residents and Revenue Will Largely be Spent on Non-Govt. Alcohol Prevention and Treatment Programs – Total Job Impacts are Essentially a Wash



³ The IMPLAN model of the NH economy available from the Minnesota IMPLAN Group. For information about IMPLAN models visit www.IMPLAN.com.

⁴ Job impacts include the “direct” impacts from changes in sales, increased taxes, or direct program expenditures with tax revenue, as well as the “indirect” impacts which are the jobs resulting from business to business expenditures in response to “direct” expenditures, as well as “induced” impacts which are the jobs that result from the spending by individuals with the income earned as a result of direct and indirect job impacts.

ne c s a

New England Convenience Store
A s s o c i a t i o n

**NEW HAMPSHIRE
CHAPTER**

**Testimony Submitted By:
Stephen Ryan, Executive Director
House Ways & Means Committee
January 23, 2013**

RE: HB 168: An Act Increasing the Beer Tax

Dear Chairman Almy, Vice Chairman Lovejoy and members of the committee:

The New Hampshire Chapter of the New England Convenience Store Association would like to be recorded in strong opposition to HB 168, An Act Increasing the Beer Tax. **This bill, which would increase the Beer Tax by 33%, is a step in the wrong direction for New Hampshire and for hundreds of small businesses in the Granite State.**

We represent convenience stores throughout New Hampshire, most of which sell beer. This would be a significant increase in product cost and would hurt virtually all convenience store owners. As proposed, House Bill 168 would raise the excise tax on beer sold from a wholesaler to a retailer by 10 cents per gallon. This cost, like all others in business, must ultimately be passed on to New Hampshire consumers through higher product prices.

It is clear that an increase in the Beer Tax, which is already the second highest in New England and nearly three times higher than Massachusetts, would drive even more business across the border, at the cost of small businesses. **Not only will stores lose revenue through the loss of sales on beer, but on ancillary sales of other products as well.** Ancillary sales are key to the survival of hundreds of New Hampshire convenience stores-especially those located near state borders.

Many storeowners are managing their stores and could not be here today. Based upon the negative impacts we've described, NECSA members respectfully ask you to oppose passing HB 168.

Thank you for your consideration of our concerns. Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

Stephen Ryan
Executive Director
New England Convenience Store Association

Voting Sheets

HOUSE COMMITTEE ON WAYS AND MEANS

EXECUTIVE SESSION on HB 168-FN

BILL TITLE: increasing the beer tax.

DATE: January 29, 2013

LOB ROOM: Room 202, LOB

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Schamberg

Seconded by Rep. Kelley

Vote: 14-2 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE:

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,



Rep. Russell Ober, Clerk

HOUSE COMMITTEE ON WAYS AND MEANS

EXECUTIVE SESSION on HB 168-FN

BILL TITLE: increasing the beer tax.

DATE:

1/29/13

LOB ROOM: Room 202, LOB

Amendments:

Sponsor: Rep.

OLS Document #:

Sponsor: Rep.

OLS Document #:

Sponsor: Rep.

OLS Document #:

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Schenker

Seconded by Rep. Kelley

Vote: 14-2 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: {Type VOTE}

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. William Butynski, Clerk



STATE OF NEW HAMPSHIRE
OFFICE OF THE HOUSE CLERK

1/10/2013 11:00:11 AM
Roll Call Committee Registers
Report

2013 SESSION

WAYS AND MEANS

Bill #: HB 168 FN Title: Increasing the beer tax

PH Date: 1 1 23 13 Exec Session Date: 1 1 29 13

Motion: ITL Amendment #: _____

MEMBER	YEAS	NAYS
Almy, Susan W, Chairman	✓	
Lovejoy, Patricia T, V Chairman	✓	
Butynski, William, Clerk <i>ABSENT</i>		
Davis, Frank W	✓	
Shattuck, Gilman C	✓	
Kelley, John D	✓	
Cooney, Mary R		✓
Ames, Richard		✓
Karrick, David B	✓	
Schamberg, Thomas C	✓	
Young, Harry L	✓	
Major, Norman L, <i>ABSENT</i>		
Griffin, Mary E	✓	
Hess, David W	✓	
Sapareto, Frank V <i>ABSENT</i>		
Ulery, Jordan G	✓	
Ober, Russell T,	✓	
Abrami, Patrick F	✓	
Azarian, Gary S <i>ABSENT</i>		
Sanborn, Laurie J	✓	
TOTAL VOTE:	14	2

14-2

Committee Report

HB 168-FN-A, increasing the beer tax. **MAJORITY: INEXPEDIENT TO LEGISLATE. MINORITY: OUGHT TO PASS.**

Rep. Thomas C. Schamberg for the **Majority** of Ways and Means: This bill would increase the beer tax from 30 cents to 40 cents a gallon and designate all additional proceeds to a dedicated alcohol abuse prevention and treatment fund. We already have a designated abuse prevention and treatment fund. New Hampshire would have the highest beer tax in New England and almost four (4) times the rate of Massachusetts which is 11 cents per gallon. The majority of the committee feels this would hurt the border communities' sales. **Vote 14-2.**

COMMITTEE REPORT

COMMITTEE: House Ways and Means

BILL NUMBER: 168-FN-A

TITLE: Increasing the beer tax.

DATE: 1-29-13 CONSENT CALENDAR: YES NO

- OUGHT TO PASS
- OUGHT TO PASS W/ AMENDMENT
- INEXPEDIENT TO LEGISLATE
- INTERIM STUDY (Available only 2nd year of biennium)

Amendment No.

STATEMENT OF INTENT:

This bill would increase the beer tax from 30 cents to 40 cents a gallon and designate all additional proceeds to a dedicated alcohol abuse prevention and treatment fund.

We already have a designated abuse prevention and treatment fund.

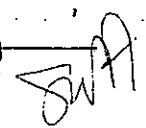
New Hampshire would have the highest beer tax in New England and almost 4 (Four) times the rate of Massachusetts which is 11 cents per gallon.

The majority of committee feels this would hurt the border communities sales.

COMMITTEE VOTE: 14-2

RESPECTFULLY SUBMITTED,

- Copy to Committee Bill File
- Use Another Report for Minority Report

Rep. Thomas C. Schenberg
For the Committee 

MAJORITY REPORT

HB 168-FN-A

14-2 Reg ITL

This bill would increase the beer tax from 30 cents to 40 cents a gallon and designate all additional proceeds to a dedicated alcohol abuse prevention and treatment fund.

We already have a designated abuse prevention and treatment fund.

New Hampshire would have the highest beer tax in New England and almost four (4) times the rate of Massachusetts which is 11 cents per gallon.

The majority of committee feels this would hurt the border communities' sales.

Respectfully submitted,

Rep. Thomas C. Schamberg

A handwritten signature in cursive script, appearing to read "Schamberg", is located in the lower right quadrant of the page.

Rep. Richard Ames for the **Minority** of Ways and Means: This bill would increase the beer tax from 30 cents to 40 cents per gallon, an increase of slightly less than 1 cent per 12 ounce can or bottle. This would be the first increase in this tax since 1983. The increased tax is likely to generate about \$3.9 million in new revenue, with about \$1.9 million of the increased revenue expected to come from the sale of beer to out-of-state visitors. By the terms of the bill, all of this new revenue would go to the alcohol abuse prevention and treatment fund for alcohol and other drug abuse prevention, intervention and treatment services. The minority believes based on testimony received, that a penny per drink tax increase will not result in a significant adverse impact on beer sales in New Hampshire. State funding for alcohol fund supported services was reduced 55 percent by the FY 2012/2013 budget. The minority believes that the increased revenue that will be produced by this bill will enable a return in the FY 2014/2015 budget, through the regular budgeting process, to minimally adequate state funding for desperately needed alcohol fund supported services.

MINORITY REPORT

COMMITTEE: Ways and Means

BILL NUMBER: HB 168-FN-A

TITLE: increasing the beer tax

DATE: 1-29-13 CONSENT CALENDAR: YES NO

- OUGHT TO PASS
- OUGHT TO PASS W/ AMENDMENT
- INEXPEDIENT TO LEGISLATE
- INTERIM STUDY (Available only 2nd year of biennium)

Amendment No.

STATEMENT OF INTENT:

See Attached

COMMITTEE VOTE: 14-2

• Copy to Committee Bill File

RESPECTFULLY SUBMITTED,
Ryan Hines
Rep. Mary K. Conroy
For the Minority
SWA

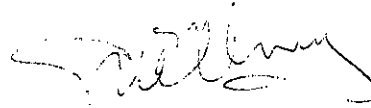
MINORITY REPORT
HB 168-FN-A

14-2 REG OTP

This bill would increase the beer tax from 30 cents to 40 cents per gallon, an increase of slightly less than 1 cent per 12 ounce can or bottle. This would be the first increase in this tax since 1983. The increased tax is likely to generate about \$3.9 million in new revenue, with about \$1.9 million of the increased revenue expected to come from the sale of beer to out-of-state visitors. By the terms of the bill, all of this new revenue would go to the Alcohol Abuse Prevention and Treatment Fund for alcohol and other drug abuse prevention, intervention and treatment services. The minority believes based on testimony received, that a penny per drink tax increase will not result in a significant adverse impact on beer sales in New Hampshire. State funding for Alcohol Fund supported services was reduced 55 percent by the FY 2012/2013 budget. The minority believes that the increased revenue that will be produced by this bill will enable a return in the FY 2014/2015 budget, through the regular budgeting process, to minimally adequate state funding for desperately needed Alcohol Fund supported services.

Respectfully submitted,

Rep. Richard Ames



Rep. Richard Ames
HB 168
Minority Report

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SWA