



Massachusetts Package Stores Association, Inc.

30 Lyman Street - Suite #2 | Westborough, MA 01581
Phone: (800) 322-1383 or (508) 366-1100 | Fax: (508) 366-1104 | Web: www.masspack.org

Tuesday, May 7, 2019

Written Testimony of the Massachusetts Package Stores Association Submitted to the Joint Committee on Joint Committee on Revenue (JCR) for the Hearing on Record of:

S1617 - An Act relative to a local option excise on the sale of alcoholic beverages;

S1714 - An Act relative to the fair taxation of alcoholic beverages; and

H2527 - An Act increasing the excise tax on alcoholic beverages

Dear Chairs Sen. Adam G. Hinds and Rep. Mark J. Cusack, and Members of the Joint Committee on Revenue,

The Massachusetts Package Stores Association (MPSA) is a non-profit trade organization representing the interests of the thousands of independently-owned retailers of beer, wine and spirits across Massachusetts. MPSA is greatly concerned about S1617 - An Act relative to a local option excise on the sale of alcoholic beverages; S1714 - An Act relative to the fair taxation of alcoholic beverages; and H2527 - An Act increasing the excise tax on alcoholic beverages. Raising the excise taxes on alcohol beverages at a time of disruption and declining revenues will unquestionably make an already bad situation become extreme.

In Massachusetts, the state of the alcohol beverages industry is disruption and instability. This is because the beverage alcohol three-tier system is under attack from every direction. Out of state direct shippers, interstate supermarket chains, national box-store retailers, craft brewers and e-commerce platform providers all seek to by-pass or usurp independent retailers of beer, wine and spirits. Massachusetts is also losing substantial revenues to New Hampshire. New Hampshire has no excise tax and they actively solicit Massachusetts residents to purchase non-taxed alcohol beverages north of the state border.

Legislators should also factor in the undeniable loss of retail sales due to the introduction of cannabis. Alcohol consumption in the United States is declining. The national reduction in the U.S.'s overall alcohol consumption appears to be directly related to the rise of marijuana laws recently enacted in a number of states, including Massachusetts. There is now objective alcohol sales data from Nielsen Retail Scanners across the country supporting that states who have introduced recreational cannabis are experiencing up to a 15% decline in alcohol beverages sales. The overall conclusion of a joint study by researchers at the University of Connecticut – Storrs and Georgia State University is that cannabis and alcohol are strong substitutes for each other. They share almost the same consumer audience. Based upon the evidence presented, it stands to reason that introducing legal marijuana where alcohol consumption is legal may result in a negative effect on alcohol sales. MPSA members have consistently been reporting reduced sales volume since the introduction of cannabis.

It is the totality of the above listed factors that are having a quantifiable negative impact to retailers of beer, wine and spirits in Massachusetts. Legislators should be deeply concerned about the current state of disruption. Furthermore, they should hold back on the impulse to raise excise taxes on alcohol beverages. Higher excise taxes will worsen the situation by driving more Massachusetts consumers to purchase alcohol beverages in New Hampshire, buy from out of state retailers over the internet (which is not being adequately policed) or transition to recreational cannabis. This is not hyperbole.

The Massachusetts Package Stores Association (MPSA) is a non-profit trade organization representing the interests of the thousands of independently-owned retail stores of beer, wine and spirits across Massachusetts. Contact MPSA with any questions at (800) 322-1383, or email info@masspack.org. Visit the MassPack website at: www.masspack.org



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Further losses within the Massachusetts alcohol beverages industry will have a material economic impact. In Massachusetts, off-premise retail sales of alcohol beverages equate to almost \$3 billion in total economic impact. It should also be noted that independent off-premises retailers of alcohol beverages employ 18,233 Massachusetts residents. Establishments that sell alcohol beverages collectively employ as many as 188,900 people in Massachusetts and generate an additional 60,759 jobs in supplier and ancillary industries. The total direct and indirect impact of retail sales of the alcohol beverages industry are responsible for \$29 billion in economic activity to Massachusetts.

The bottom line is that the overwhelming majority of Massachusetts beverage alcohol retailers are independently owned small businesses. They are already under extreme pressure and many are selling their businesses. Raising excise taxes may be politically expedient, but there is no doubt that these taxes will send more consumer dollars out of state, entice more people to cannabis and further destabilize a Massachusetts-based industry that has effectively generated jobs and revenues for Massachusetts and responsibly monitored the sales of regulated products for almost 80 years.

Thank you for reviewing MPSA's written testimony. Please reach out to MPSA with any questions regarding the three-tier system and independent retailers of beer, wine and spirits.

Respectfully submitted,

Robert A. Mellion, Esq.
Executive Director | General Counsel