

VBA 2024 Legislative Report Week 5

THE PROBLEM WITH “SIN TAXES”

S.18, a bill to ban flavored tobacco, including menthol, was approved on a 10-1 vote by the House Human Services committee. Last week the House Ways and Means Committee reviewed the impact the bill will have on state revenues. [Initial estimates](#) are that the bill would cost the state upwards of \$14m annually in lost tobacco sales. But isn't a reduction in tobacco sales a good thing?

The trouble with so-called sin taxes, which we levy on unhealthy products that we want to discourage people from consuming, is that government then becomes “addicted” to the revenue generated from sales of these products. In a tough budget year, the prospect of losing \$14m in revenue is giving lawmakers pause. We expect the committee will propose an alternative tax or fee to make up for the lost revenue – possibly another “sin tax” on sugary beverages.

The chart below shows estimates of the annual revenue that could be generated by a variety of sales tax increases. (FYI – the sales tax is not currently applied to candy because it is in the “food” category.) Stay tuned!

Taxes	Tax Change	FY 2025 Revenue Estimate
Sugar Sweetened Beverages Tax	\$0.01 per ounce	\$15.2 million
Sugar Sweetened Beverages Tax	\$0.02 per ounce	\$29.8 million
Candy	6% sales tax	\$3.7 million
Clothing and Footwear	\$110 cap	\$6.8 million
	\$150 cap	\$5.6 million
	\$175 cap	\$4.4 million
Prewritten Software Accessed Remotely Cloud Tax	6% sales tax	\$20.4 million
Increase in the Sales Tax Rate	per 0.1% increase	\$9.3 million
Other Expansions to the Sales Tax Base	6% sales tax	Estimated up to \$304.5 million

MISCELLANEOUS ALCOHOL BILL

Last week the [House Government Operation committee](#) released their first draft of the [miscellaneous alcohol bill](#). On Thursday next week, February 6, the VBA will provide comments to the committee on the provisions proposed in the current draft.

The current draft of the bill included the following provisions:

- **Sections 1 & 2 relating to the sale of closed containers of alcoholic beverages within a first- or third-class license serving area.** DLL currently requires establishments that have both a first (and/or third) and second-class license to have a segregated space for each license at a single establishment. Sections 1 & 2 would remove the segregated space requirement and allow both (or all three) licenses to operate in a contiguous space within an establishment. **The VBA supports this proposal.** Many tap rooms and brew pubs are small. Efforts to segregate spaces can often present challenges. The VBA believes that this change does not present any risk to the public and supports this proposal.
- **Sections 3 & 4 relating to expanding access to special venue serving permits.** Under current law, a special venue serving permit may be granted to an art gallery, bookstore, public library or museum after receiving approval from the local control commission and paying a fee. A special venue serving permit authorizes the holder to serve beer, wine or RTDs, purchased directly from a retailer. This proposal would replace the word “bookstore” with “retail establishment” thereby expanding the types of retailers that can access this type of permit. **The VBA does not object to this proposal.**
- **Section 5 relating to allowing a sampling event permit holder to purchase invoiced volumes of alcoholic beverages from wholesale dealers.** Under current law, a sampling event permit holder (formerly known as a Festival Permit) is allowed to purchase invoiced volumes of malt beverages directly from a manufacturer or packager. This change would allow a permit holder, like the VBA, to purchase beer directly from a wholesale dealer, in addition to a manufacturer or a packager. **The VBA supports this proposal.**
- **Section 6 relating to increasing the limit on special event permits that may be acquired by an individual licensee from 10 to 20.** Under current law, a manufacturer is allowed to be issued up to 10 special event permits for the same physical location in a year. Each permit is good for the duration of the event or up to 4 days. A special event permit is a permit granted to a licensed manufacturer or rectifier and allows them to sell alcoholic beverages manufactured by the permit holder by the glass or unopened bottle within the confines of the special event. A special event permit also allows the manufacturer to serve or sell glasses of beverages in quantities of not more than two ounces per product and eight ounces total of malt beverages, vinous beverages, or ready-to-drink spirits beverages and not more than one ounce in total of spirits or fortified wines to each individual. This proposal would increase the number of special event permits a manufacturer is allowed to obtain in a year at a specific location from 10 to 20. **The VBA supports this proposal.**
- **Section 7 Regarding the DLL Annual Report. The VBA has no position on this proposal.**

- **Section 8** Regarding liquor liability insurance mandate effective date. **The VBA has no position on this proposal.**
- **Section 9 relating to bulk shipments for rectifying.** Under current law wine manufacturers may receive bulk shipments of vinous beverages to rectify with the manufacturer's own product, provided that any wine produced by the manufacturer does not contain more than 25% of the imported material. This proposal would expand this allowance to all alcoholic beverage manufacturers, e.g. beer and spirit manufacturers. **The VBA does not understand the need for this proposal and would prefer that the legislature postpone consideration of this proposal.**

HEADLINES OF NOTE

- [Vermont gets a 'road map' for confronting its school construction needs](#)
- [Vermont House overwhelmingly backs bill prohibiting race-based hair discrimination](#)
- [Tax the Rich? Wealth Tax Proposals Floated in the Statehouse](#)
- [Capitol Recap: Some low-income Vermonters face sudden spike in health care costs when they turn 65](#)

VBA 2023/2024 BILL REPORT			
Bill	Sponsors	Description	Status
H 601	Rep. Lawrence Satcowitz	<p>An Act Relating To Prohibiting The Presence Of Toxic Chemicals In Plastic Packaging</p> <p>This bill proposes to prohibit the presence of certain high priority materials and high priority chemicals in packaging or packaging components sold or distributed in the State.</p>	<p>Committees: House Environment and Energy</p> <p>Status: Read First Time and referred to the Committee on Environment and Energy (01/03/24)</p>
H 643	Rep. Lucy Boyden	<p>An Act Relating To The Sale Of Closed Containers Of Alcoholic Beverages Within A First- Or Third-class License Serving Area</p> <p>This bill proposes to allow the holder of any combination of first-, second-, and third-class licenses to sell closed containers of alcoholic beverages, for off-premises consumption, anywhere in first- or third-class licensed premises.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (01/04/24)</p> <p>First hearing held 1/24. Included in the Misc Alcohol Bill Draft 1.1.</p>

H 662	Rep. Michael Marcotte; Rep. Woodman Page	<p>An Act Relating To The Merger Of Entities That Hold Separate Alcoholic Beverage Licenses</p> <p>This bill proposes to allow two or more licensed entities that have merged and formed a parent corporation to continue to hold separate alcoholic beverage licenses while operating under a unified payroll and administrative system.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (01/04/24)</p> <p>First hearing held 1/24</p>
H 680	Rep. Katherine "Kari" Dolan; Rep. Matthew Birong; Rep. Stephanie Jerome	<p>An Act Relating To Expanding Access To Special Venue Serving Permits</p> <p>This bill proposes to allow any retail establishment to acquire a special venue serving permit from the Division of Liquor Control.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (01/04/24)</p> <p>First hearing held 1/24 Included in the Misc Alcohol Bill Draft 1.1.</p>
H 726	Rep. Kate Nugent	<p>An Act Relating To Compliance Checks By The Division Of Liquor Control</p> <p>This bill proposes to require the Division of Liquor Control to perform regular compliance checks of alcoholic beverage licensees.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read first time and referred to the Committee on Government Operations and Military Affairs (01/10/24)</p>
BILLS INTRODUCED IN 2023 THAT ARE STILL "ALIVE"			
H 7	Rep. Anne Donahue	<p>An Act Relating To Replacing The Term "cider" With "hard Cider" Within Title 7</p> <p>This bill proposes to replace the term "cider" with "hard cider" within Title 7 of the Vermont Statutes Annotated.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred</p>

			to the Committee on Government Operations and Military Affairs (01/05/23)
H 78	Rep. Matthew Birong	<p>An Act Relating To Repealing The Sunset Of 7 V.S.A. § 230</p> <p>This bill proposes to repeal the sunset of 7 V.S.A. § 230 (sale of alcoholic beverages for off-premises consumption) to allow licensees to sell alcoholic beverages for pick up or delivery beyond July 1, 2023.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (01/20/23)</p>
H 225	Rep. Joseph "Chip" Troiano; Rep. Avram Patt; Rep. Brian Cina; Rep. Dennis LaBounty; Rep. Emma Mulvaney-Stanak; Rep. James Carroll; Rep. James Masland; Rep. John Arrison; Rep. Josie Leavitt; Rep. Kate Logan; Rep. Kate McCann; Rep. Kristi Morris; Rep. Leslie Goldman; Rep. Michael Mrowicki; Rep. R. Scott Campbell; Rep. Robert "Bobby" Farlice-Rubio; Rep. Troy Headrick	<p>An Act Relating To Eliminating The Tipped Minimum Wage</p> <p>This bill proposes to require that tipped employees are paid the standard minimum wage by 2024.</p>	<p>Committees: House General and Housing</p> <p>Status: Read First Time and referred to the Committee on General and Housing (02/10/23)</p> <p>VBA OPPOSES THIS BILL</p>
H 261	Rep. Logan Nicoll	<p>An Act Relating To Retail Delivery Of Alcoholic Beverages By Third-party Contractors</p> <p>This bill proposes to allow the holder of a second-class license and retail delivery permit to deliver certain alcoholic beverages to individuals 21 years of age or older through an approved third-party contractor and amend the provisions related to the permitted hours of sale.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (02/15/23)</p>
H 272	Rep. Matthew Birong	<p>An Act Relating To A Reciprocity Requirement For Out-of-state Consumer Shipping Licenses</p> <p>This bill proposes to limit the issuance of out-of-state malt beverage consumer shipping licenses to breweries that are located in states that allow Vermont brewers to acquire consumer shipping licenses.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (02/16/23)</p>

H 273	Rep. Matthew Birong	<p>An Act Relating To Direct-to-consumer Shipping Of Spirits And Fortified Wines</p> <p>This bill proposes to authorize a manufacturer of spirits or fortified wines to acquire a consumer shipping license and ship the manufacturer's products directly to consumers in Vermont.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (02/16/23)</p>
H 417	Rep. Kelly Pajala; Rep. Logan Nicoll	<p>An Act Relating To Drink Specials</p> <p>This bill proposes to permit a first- class licensee to sell malt and vinous beverages at a reduced price during a period of not more than two hours each day. It also proposes to permit a third- class licensee to sell spirits and fortified wines at a reduced price during a period of not more than two hours each day.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (02/28/23)</p> <p>VBA SUPPORTS THIS BILL</p>
S 60	Sen. Kesha Ram Hinsdale; Sen. Thomas Chittenden	<p>An Act Relating To Local Option Taxes</p> <p>This bill proposes to authorize: (1) any Vermont municipality to adopt a one percent local option tax on sales, meals and alcoholic beverages, and rooms; and (2) the Commissioner of Taxes to disclose a municipality's local option tax data to the town manager or legislative body of that municipality, provided that the disclosure subjects the recipient to the penalties for unauthorized disclosure of confidential tax data.</p>	<p>Committees: Senate Finance; House Government Operations and Military Affairs; Senate Finance?</p> <p>Status: Read First Time and referred to the Committee on Government Operations and Military Affairs (04/11/23)</p>
S 86	Sen. Richard Westman	<p>An Act Relating To Replacing The Term "cider" With "hard Cider" Within Title 7</p> <p>This bill proposes to replace the term "cider" with "hard cider" within Title 7 of the Vermont Statutes Annotated.</p>	<p>Committees: Senate Economic Development, Housing and General Affairs</p> <p>Status: Read 1st time & referred to Committee on Economic Development, Housing and General Affairs (02/16/23)</p>
S 107	Sen. Richard Westman	<p>An Act Relating To Authorizing Off-site Tasting Rooms For Alcoholic Beverage Manufacturers</p> <p>This bill proposes to allow holders of a manufacturer's or rectifier's license to acquire a first-class license to sell their products at a tasting room that is not</p>	<p>Committees: Senate Economic Development, Housing and General Affairs</p> <p>Status: This bill was considered by the committee last year and essentially put on hold</p>

		located on property contiguous with the manufacturing location.	because of tied house concerns.
<u>S 110</u>	Sen. Richard Westman; Sen. Kesha Ram Hinsdale	<p>An Act Relating To Direct-to-consumer Shipping Of Spirits And Fortified Wines</p> <p>This bill proposes to authorize a manufacturer of spirits or fortified wines to acquire a consumer shipping license and ship the manufacturer's products directly to consumers in Vermont.</p>	<p>Committees: Senate Economic Development, Housing and General Affairs</p> <p>Status: Read 1st time & referred to Committee on Economic Development, Housing and General Affairs (02/28/23)</p>