

March 13, 2023

Chair Aisha Gomez & Members of the House Taxes Committee
Minnesota House of Representatives
100 Reverend Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Re: HF 2558

Chair Gomez and members of the Taxes Committee:

On behalf of the Minnesota Beer Wholesalers Association (“MBWA”), we submit this letter in opposition to HF 2558. MBWA is the trade association representing the family-owned malt beverage distributors in Minnesota that employ thousands of Minnesotans throughout the state.

Specifically, HF 2558 seeks to create a carveout for spirits-based canned cocktails with an alcohol by volume rate of 14%, thereby reducing the tax applied to those products. However, Minnesota already provides a significant tax break to microdistilleries. While distilled spirits products (including canned cocktails) are taxed at the rate of \$1.33 per liter, Minnesota provides a tax credit in the amount of \$1.33 per liter on 100,000 liters sold in any fiscal year. As a result, many, if not all, of the microdistilleries located in Minnesota are already provided the opportunity to benefit from that tax break, and there is no need to give large out-of-state distilleries a tax cut.

It is also unlikely that the proposed legislation would benefit Minnesota consumers. In 2021, the states of Michigan and Nebraska passed legislation similar to HF 2558, which reduced the tax basis for canned cocktails. After those bills went into effect, Public Sector Consultants, a public policy consulting firm based in Michigan, conducted an analysis of the retail price of canned cocktails in those two states. That report found that consumers did not benefit from lower prices in either state after the reduction in taxes for canned cocktails. Instead, each state saw a significant price *increase*, at rates that far outpaced both inflation and the consumer price index.

Spirits-based products and, more specifically, canned cocktails have been a consistently growing segment in the alcoholic beverage industry over the last few years. It is unnecessary for the Minnesota legislature to create an additional tax benefit for these products that will serve to benefit out-of-state manufacturers.

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We ask that this letter be included in the formal comments and thank you for your consideration. In the event you have any questions, or I can be of assistance in any way, please do not hesitate to contact me.

Very Truly Yours,

MADIGAN, DAHL & HARLAN, P.A.

/s/ Brandt F. Erwin

Brandt F. Erwin

President, Minnesota Beer Wholesalers Association