



The
UNIVERSITY
of VERMONT

**James M. Jeffords Center's
*Vermont Legislative Research Service***



Alcohol Pricing and Regulations in Vermont, New Hampshire, and Massachusetts

States differ in the level of control they exercise over the sale of alcohol. States are categorized in how they regulate the sale of alcohol as either “control” or “license” states. Control states control all of the liquor sold in the state. They set the price, regulate distribution, and have control over the wholesale and/or retail sale of any form of alcoholic beverages. There are currently 18 control states in the United States; Vermont and New Hampshire are two of them.¹ License states are “states that allow licensed private retailers to sell liquor, beer, and wine. For these states, revenues are generated through wholesale excise taxes.”² Massachusetts is a license state.³

A common factor on the price of the alcohol is an excise tax. Excise taxes are paid when purchases are made on a specific good and are often included in the price of the product.

Vermont: A Control State

Being a control state,⁴ patrons in Vermont can only purchase liquor at a state liquor store or a designated agency outlet. Vermont currently has 78 agency stores located within the state. These stores can only purchase the liquor they retail through the Vermont State Department of Liquor Control,⁵ the price list for all types of spirituous alcohol can be found here:
<http://802spirits.com/sites/liquorretail/files/pdfs/pricelist.pdf>.⁶

¹ David Hanson, "Alcoholic Beverage Control (ABC) or Monopoly States," The State University of New York, 2012, accessed on February 11, 2013, <http://www2.potsdam.edu/hansondj/Controversies/1127524611.html>.

² National Conference of State Legislatures, "Tax Policy Handbook for State Legislators," Fiscal Affairs Program, February 2010, accessed on February 6, 2013, <http://www.ncsl.org/documents/fiscal/TaxPolicyHandbook3rdEdition.pdf>, p. 16.

³ David Hanson, "Alcoholic Beverage Control (ABC) or Monopoly States."

⁴ Vermont Department of Liquor Control, "Licensing," accessed on February 1, 2013, <http://liquorcontrol.vermont.gov/licensing/>.

⁵ State of Vermont, "About Us," 2013, accessed February 1, 2013, http://802spirits.com/about_us.

⁶ Vermont Department of Liquor Control, "Price List," 2013, accessed on February 1, 2013, <http://802spirits.com/sites/liquorretail/files/pdfs/pricelist.pdf>.

Retailers can hold three different levels of alcohol licenses regulated by the Vermont State Department of Liquor Control. First class licenses are for cabarets, restaurants, hotels, and clubs which can only sell beer under six percent alcoholic content by volume and wine under 16% alcoholic content by volume. The second class license is for stores who sell beer under six percent alcoholic content by volume and wine under 16% alcoholic content by volume. The third class license is for restaurants, hotels, clubs, and cabarets and can sell spirituous liquor. For liquor retailers, a wholesale dealer's license allows the establishment to sell alcohol over 16% alcohol content by volume. This is purchased through the price catalogue, 802 Spirits, and supplied by the wholesaler, the Vermont Department of liquor retail.⁷

There are two different taxes applied to alcohol in the state of Vermont. There is a sales tax of six percent that applies to everything purchased in the state (with 46 exceptions). Alcoholic beverages are not considered "food, food products and beverages" as defined in this section, and are therefore not exempt from tax under this section.⁸ The second tax is an excise tax applied to off-premise sales only. Every bottler and wholesaler is required to pay the Commissioner of Taxes 26.5 cents per gallon of malt or vinous beverages containing not more than six percent alcohol by volume at 60 degrees Fahrenheit and 55 cents per gallon of malt or vinous beverage containing more than six percent alcohol by volume at 60 degrees Fahrenheit.⁹ A tax is imposed on spirituous liquor, but instead of being based on the amount of gallons produced, the tax is assessed on the gross revenue on the retail sale of spirituous liquor in the state of Vermont, including fortified wine, sold by the liquor control board or sold by a manufacturer or rectifier of spirituous liquor. "The tax shall be at the following rates based on the gross revenue of the retail sales by the seller in the previous year:

- (1) if the gross revenue of the seller is \$100,000.00 or lower, the rate of tax is five percent;
- (2) if the gross revenue of the seller is between \$100,000.00 and \$200,000.00, the rate of tax is \$5,000.00 plus 15 percent of gross revenues over \$100,000.00;
- (3) if the gross revenue of the seller is over \$200,000.00, the rate of tax is 25 percent."¹⁰

An additional tax to consider is the local option sales tax. This is a tax that towns in Vermont can opt to include, bumping the sales tax from six to seven percent on alcohol. Currently only 11 towns in the state include the local tax option.¹¹ This could potentially grant revenue flexibility to local governments, provide additional funds for programs and services without

⁷ Vermont Department of Liquor Control, "Administrative Organization and Procedures, and Agency Rules of Practice," accessed on January 31, 2013, [http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/Administrative Organization and Procedures.pdf](http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/Administrative%20Organization%20and%20Procedures.pdf).

⁸ Vermont Department of Taxes, "Sales and Use Tax Regulations," January 1, 2007, accessed on February 1, 2013, <http://www.state.vt.us/tax/pdf.word.excel/legal/regs/19701.pdf>.

⁹ Alcoholic Beverages: Taxes, *Tax on malt and vinous beverages*, §421, accessed on February 1, 2013, <http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=07&Chapter=015&Section=00421>.

¹⁰ Alcoholic Beverages: Taxes, *Tax on spirituous liquor*, §422, accessed on February 1, 2013, <http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=07&Chapter=015&Section=00422>.

¹¹ The State of Vermont Department of Taxes, "Business Taxes - Local Option Sales Tax," Agency of Administration, June 1, 2012, accessed on February 1, 2013, <http://www.state.vt.us/tax/businesslocaloption.shtml>.

tapping state funds, allow diversification of local revenue base, allow tax burden shift to nonresidents, place some taxing and spending decisions closer to residents, and maintain the local autonomy.¹²

Figure 1 depicts the distribution of sales revenue and expenses for Vermont as identified in the Liquor Control Annual Report for the year 2010-2011. In Figure 1, General Fund Revenue includes the profits of alcohol sales from retail alcohol given to State of Vermont. Sales Tax Paid to General Fund shows the tax on sales of alcohol sold by the Vermont stores given to the state of Vermont. The largest section, Cost of Goods Sold (59.22%), shows the expenses of the liquor supply for the Vermont Department of Alcohol. The rest of the categories recognize various expenses.

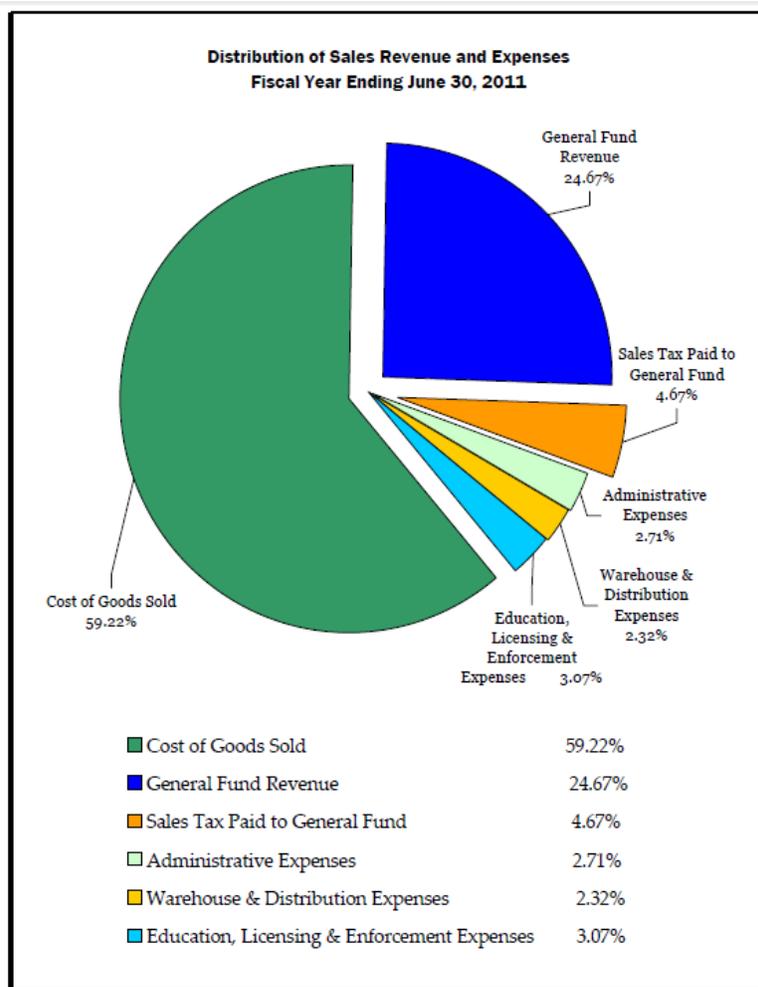


Figure 1: Distribution of Alcohol Sales Revenue and Expenses (Fiscal Year 2011)

¹² Vermont Legislative Research Service, "Downtown Areas and Sales Tax Strategies," 2012, accessed on February 25, 2013, http://www.uvm.edu/~vlrs/EconomicIssues/downtown_sales_taxes.pdf.

Source: The State of Vermont Department of Liquor Control, "2011 Annual Report," 2011, accessed on February 12, 2013, <http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/annualreports/2011.pdf>.

Sixty-seven percent of the sales revenue goes to the General Fund Revenue, the second highest section of the distribution.¹³

Massachusetts: A License State

Massachusetts has local licensing authorities that provide licenses to sell alcohol.¹⁴ The local licensing authorities inform the Massachusetts Alcohol Beverage Control Commission (ABCC) of the approval of an enterprise to sell alcohol.¹⁵ After approval, the enterprise is subject to the authority of the ABCC. The ABCC controls the state licensing of any business to sell alcoholic beverages.¹⁶

Massachusetts has an alcohol excise tax "...of 0.57% of such taxpayer's gross receipts."¹⁷ The "taxpayer" in this instance is the organization selling the alcohol. Massachusetts' alcohol, that is sold for off-premise consumption is not subject to sales tax. "Alcoholic beverages subject to the excise tax shall be exempt from sales tax."¹⁸

New Hampshire: A Control State

The New Hampshire State Liquor Commission has complete control over the distribution of alcoholic beverages in the state.¹⁹ "The...commission shall purchase all liquor, wine, and beverages from...the manufacturer or producer, whether or not it is within the state."²⁰ Any

¹³ Vermont Department of Liquor Control, "2011 Annual Report," 2011, accessed on February 11, 2013, <http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/annualreports/2011.pdf>.

¹⁴ Public Safety and Good Order: Alcoholic Liquors, *Licensing authorizing sale of beverages not to be drunk on premises; applications; approval; price lists; renewals; fees; hours of sales; samples*, §15, accessed on February 26, 2013, <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXX/Chapter138/Section15>.

¹⁵ Massachusetts Alcoholic Beverage Control Commission, "Code of Massachusetts Regulations, Chapter 204, Section 7, 7.01: Notice by Local Authority," accessed on February 6, 2013, <http://www.mass.gov/abcc/regs/reg2040701.htm>.

¹⁶ Public Safety and Good Order: Alcoholic Liquors, *Promulgation by commission*, §24, accessed on February 6, 2013, <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXX/Chapter138/Section24>.

¹⁷ Taxation: Taxation of Certain Corporations, Associations, and Organizations Engaged in the Sale of Alcoholic Beverages, *Rate*, §2 accessed on February 6, 2013, <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter63A/Section2>.

¹⁸ An Act to Repeal the Sales Tax on Alcohol, §1, accessed on February 6, 2013, <http://www.malegislature.gov/Laws/SessionLaws/Acts/2010/Chapter426>.

¹⁹ New Hampshire Liquor Commission, "2011 Annual Report," December 1, 2011, accessed on February 4, 2013, <http://www.nh.gov/liquor/2011annualreport.pdf>.

²⁰ Alcoholic Beverages: The Liquor Commission, *Purchases by the Liquor Commission*, §176:17, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/XIII/176/176-17.htm>.

state store, sales agent, or licensed vendor must obtain its liquor from the Liquor Commission.²¹

The Liquor Commission owns and operates state liquor stores and warehouses²² and also issues licenses to manufacturers, rectifiers, vendors, representatives, warehouses, carriers, and distributors.²³ All sales of wine and spirits in New Hampshire, with the exception of wines sold by licensees of the Liquor Commission and direct shippers, are made through the wine and spirits stores operated by the Liquor Commission.²⁴ Stores that are not owned or operated by the Liquor Commission but are licensed to sell liquor for off-premise consumption are known as agency stores.²⁵ All liquor sold by agency stores must be purchased from the Liquor Commission.²⁶ In addition, agency stores must submit a plan of operation that includes a pricing policy. All spirits at agency stores have to be sold at the same price or higher than in state liquor stores and agency stores may not set a price ceiling on their goods.²⁷

The Liquor Commission is also responsible for maintenance of the New Hampshire Liquor Fund, which pays for all activities of the Liquor Commission. “The Liquor Fund is an enterprise fund which receives revenues primarily from the sale of goods through State Liquor Stores, fees from licensees and fines, and penalties from rule or law violations. The Liquor Fund serves as a pass-through account for receipts which are transferred to the General Fund on a daily basis.”²⁸

New Hampshire does not have general sales tax,²⁹ but does have “a fee of \$.30 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.”³⁰ New Hampshire defines a beverage as “any beer, wine, similar fermented malt or vinous liquors and fruit juices and any other liquid intended for human consumption as a beverage having an alcoholic content of not less than 1/2 of one percent by volume and not more than 6 percent alcohol by volume at 60 degrees Fahrenheit and specialty beer... The commission may approve any cider

²¹ Alcoholic Beverages: State Liquor Stores, *Liquor Dispensed Only Through Commission*, §177:6, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/XIII/177/177-6.htm>.

²² Alcoholic Beverages: State Liquor Stores, *State Stores*, §177:1, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/xiii/177/177-mrg.htm>.

²³ Alcoholic Beverages: Liquor Licenses and Fees, §178:6-19, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/xiii/178/178-mrg.htm>.

²⁴ New Hampshire Liquor Commission, “2011 Annual Report.”

²⁵ State Liquor Commission, “Liquor 508.02 Definitions,” 2011, accessed on February 4, 2013, http://www.gencourt.state.nh.us/rules/state_agencies/liq100-1100.html.

²⁶ Alcoholic Beverages: State Liquor Stores, *Liquor for Agency Liquor Stores*, §177:13, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/XIII/177/177-13.htm>.

²⁷ State Liquor Commission, “Liquor 508.11 Prices,” 2011, accessed on February 4, 2013, http://www.gencourt.state.nh.us/rules/state_agencies/liq100-1100.html.

²⁸ New Hampshire Liquor Commission, “2011 Annual Report.”

²⁹ NH Department of Revenue Administration, “Frequently Asked Questions – Does NH have an Income Tax or Sales Tax?” 2007, accessed on February 4, 2013, <http://www.revenue.nh.gov/fag/gti-rev.htm>.

³⁰ Alcoholic Beverages: Liquor Licenses and Fees, *Additional Fees*, §178:26, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/XIII/178/178-26.htm>.

greater than 6 percent.”³¹ Specialty beer is defined as “any beer as defined in RSA 175:1, VII intended for human consumption as a beverage, having an alcohol content greater than 6 percent but not more than 12 percent by volume at 60 degrees Fahrenheit. Specialty beer shall possess the character and flavor of a beer and may contain added ingredients such as, but not limited to, molasses, maple syrup, honey, spices, herbs, fruits, nuts, chocolate, vanilla, or other non-beverage ingredients.”³²

Comparisons

Comparison of retail prices between license and control states is extremely difficult.³³ Thus, it is difficult to compare the retail prices of Massachusetts, New Hampshire, and Vermont.

Information on comparisons of retail alcohol across states is scarce. One study did find comparing 74 different brands of liquor that Vermont had a mean price of \$29.95 compared to New Hampshire’s \$26.15.³⁴ The study also found a median price in Vermont of \$28.49 and \$24.74 in New Hampshire³⁵ these prices “...were retail prices, which include state alcohol excise taxes but not state sales tax.”³⁶

Vermont and New Hampshire’s differences in quantity of alcohol sold are significant. At the end of 2011, Vermont had sold 382,872 total cases of alcohol, compared to New Hampshire’s 4,817,847 total cases. The average price per case in Vermont was \$160.61 and the average price per case in New Hampshire was \$111.35. The gross sales of Vermont were \$62 million (including tax), compared to New Hampshire’s gross sales of \$543 million.^{37,38}

Figure 2 is shows the retail prices of eight different liquors sold in Vermont and New Hampshire. On the following page, Figure 3 shows the retail prices of wines in these states. Findings from Figure 2 and Figure 3 show that while some products such as 750mL Maker’s Mark Bourbon Whiskey, 1.5L Taylor Port, and 3L Taylor Golden Sherry are priced the same in the two states, liquor and wine prices in Vermont are generally higher than those in New Hampshire.

³¹ Alcoholic Beverages: Definitions and General Provisions, *Definitions*, §175:1 VIII, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/XIII/175/175-1.htm>.

³² Alcoholic Beverages: Definitions and General Provisions, *Definitions*, §175:1 LXIV-a, accessed on February 4, 2013, <http://www.gencourt.state.nh.us/rsa/html/XIII/175/175-1.htm>.

³³ National Conference of State Legislatures, “Tax Policy Handbook for State Legislators.”

³⁴ Siegel et al, “Differences in liquor prices between control state-operated and license-state retail outlets in the United States,” Society for the Study of Addiction, accessed on February 2013, <http://onlinelibrary.wiley.com/doi/10.1111/j.1360-0443.2012.04069.x/full>.

³⁵ Siegel et al, “Differences in liquor prices between control state-operated and license-state retail outlets in the United States.”

³⁶ Siegel et al, “Differences in liquor prices between control state-operated and license-state retail outlets in the United States.”

³⁷ New Hampshire Liquor Commission, “2011 Annual Report.”

³⁸ Vermont Department of Liquor Control, “2011 Annual Report.”

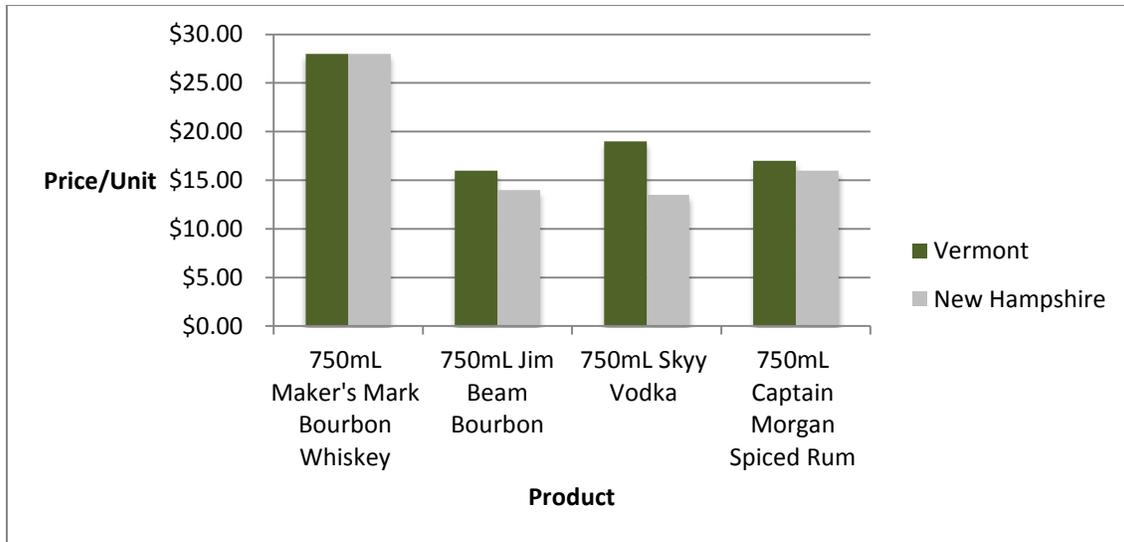


Figure 2: Selected Liquor Prices in VT and NH

Sources: New Hampshire Liquor Commission, "Agency Complete Price Lists," January 15, 2013, accessed on February 13, 2013, <http://ice.liquor.nh.gov/public/default.asp?category=filedownload&service=filedwld&entry=pricelst>; 802Spirits, "Retail Pricing Guide," 2013, accessed on February 13, 2013, <http://802spirits.com/sites/liquorretail/files/pdfs/spirits.pdf>.

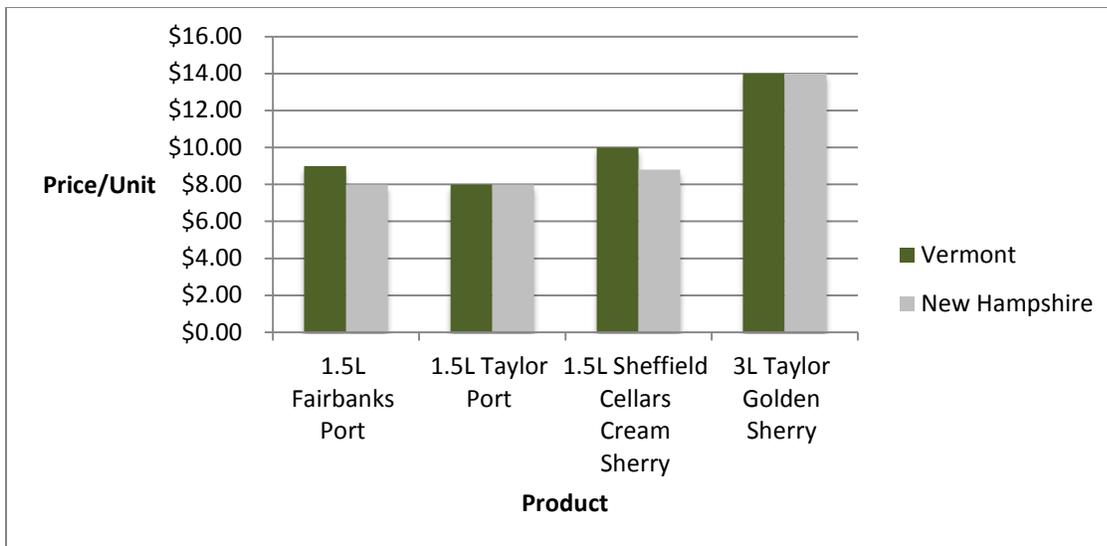


Figure 3: Wine Prices in VT and NH

Sources: New Hampshire Liquor Commission, "Agency Complete Price Lists," January 15, 2013, accessed on February 13, 2013, <http://ice.liquor.nh.gov/public/default.asp?category=filedownload&service=filedwld&entry=pricelst>; 802Spirits, "Retail Pricing Guide," 2013, accessed on February 13, 2013, <http://802spirits.com/sites/liquorretail/files/pdfs/spirits.pdf>.

Conclusion

State pricing and taxation of alcohol are important sources of revenue for the state, in terms of added business and taxation. Through studies and comparisons, the trend suggests that typical Vermont's alcohol prices are greater than New Hampshire's prices. Vermont's taxes, both excise and sales, are significantly less than New Hampshire's state revenue earned through its large quantity of alcohol sold.

This report was completed on April 16, 2013 by Nick Ingersoll, Abigail Pfister, and Hannah Harrington under the supervision of Assistant Director Kate Fournier and Professor Jack Gierzynski in response to a request from Representative Tom Stevens.

Contact: Professor Anthony Gierzynski, 513 Old Mill, The University of Vermont, Burlington, VT 05405, phone 802-656-7973, email agierzyn@uvm.edu.

Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Jack Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.