



April 16, 2021

LD 1358, An Act to Provide for the Direct Shipment of Spirits to Consumers

Good Morning,

Senator Luchini, Representative Caiazzo and members of the Veterans and Legal Affairs Committee. I am Cheryl Timberlake a resident of Mount Vernon and the Executive Vice President of the Maine Beer and Wine Distributors Association (MBWDA). Here to testify in opposition to LD 1358.

Today, you will hear several proposals that seek to change the landscape for how alcohol will be delivered in Maine. These bills will undermine the current regulatory system of accountability and responsibility by allowing **Direct to Consumer (DTC) shipping of alcohol** by out of state entities.

As family-owned businesses who have been in operation since Prohibition, MBWDA remains committed to championing a smartly regulated alcohol distribution system where suppliers, wholesalers, and retailers maintain their distinct roles and independence. This system has proven to be the leading way to foster competition, offer consumers the largest selection of products of any country in the world, manage public health and safety, and execute efficient state tax collection.

MBWD opposes direct shipment of alcohol to consumers. Alcohol, especially liquor, is unlike other products in the chain of commerce. Alcohol is an intoxicant and should be responsibly sold within a strong state-based regulatory structure. The current system of alcohol distribution, whereby licensed suppliers sell to the state of Maine, who in turn, sells to licensed, in-state retailers, works to serve citizens' needs and to keep the marketplace safe. This system promotes proper

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payment of taxes to the state and ensures a large variety of product choice to Maine consumers.

Importantly, this system deters entrance of counterfeit products into retail stores for sales to consumers. In the United States, it is rare to hear about counterfeit alcohol, but in countries without a similar regulatory system, deaths and severe illnesses related to counterfeit or adulterated alcohol are much more common.

In fact, it is estimated that 36 percent of all alcohol in Mexico is illicit. In just a one-month span, April to May of this year, more than 100 Mexicans located across at least four states died from drinking adulterated alcohol and, in early 2020, 154 people in India died from counterfeit alcohol.

#### PROBLEMS ASSOCIATED WITH SHIPPING ALCOHOL

- No verification of tax collection by the receiving state upon delivery in the state since illegal shippers do not report untaxed or illegal sales
- Bad actors are difficult to identify without additional state funds and enforcement agency involvement
- Shipments may occur from a retailer or supplier that is not licensed by the receiving state
  - No clear chain of licensed custody to prevent product adulteration
  - Inconsistent ID requirement increases underage access risk
  - Weakens the state's ability to enforce alcohol laws and ensure alcohol is safe for consumers
- Out of state entities can avoid payment of taxes – which leads to undercutting of local businesses and deprives communities of much needed tax revenue

The U.S. system of manufacturing, distribution and sales has worked so well that we often take it for granted.

Interstate spirits shipping will only increase minors' exposure and access to alcohol given the limitations of e-commerce and identification technology and the bad actors who continue to ship outside of regulations currently in place.

For these reasons, MBWD strongly urges the Committee to oppose direct to consumer spirits shipping. I would be happy to answer any questions. Thank you.