



STATES ACROSS THE COUNTRY REJECT THE EXPANSION OF DIRECT-TO-CONSUMER (DTC) ALCOHOL SHIPMENTS

STATES CHOOSE TO INSTEAD PURSUE STRICTER ENFORCEMENT MECHANISMS

In 2021, 100% of the state legislatures that have faced new interstate spirits shipping bills have chosen **NOT** to enact DTC spirits laws.

Beyond concerns over consumer safety and underage access, it was widely agreed that **the DTC alcohol marketplace does not uphold a state's regulatory authority under the Twenty-First Amendment.**

Instead, many legislative bodies recognized the failures of the wine DTC marketplace and the need for greater enforcement of current laws. For example, **the Virginia ABC was granted an additional \$1 million to fund 10 new DTC enforcement positions.** Five states (TN, KS, HI, OH, and AL) passed stricter reporting measures for those operating in the DTC wine market.

Following the study of similar **reporting in Ohio,**

18 states considered legislation in 2021 to legalize DTC spirits shipping privileges

18 states **REJECTED** legislation in 2021 to legalize DTC spirits shipping privileges

Michigan, Attorneys General found millions in lost state tax revenue and filed against illegal shippers under the Twenty-First Amendment Enforcement Act.

Additionally, many states recognized that DTC spirits shipping would overwhelm the current alcohol enforcement infrastructure. If half of the 643,000 retailers in the United States were off-premise retailers through a digital marketplace, each state would average **one agent per 7,246 retailers to enforce laws and regulations** of their state concerning digital retail purchases.

WHY ARE STATES REJECTING DTC SPIRITS SHIPPING?

- Increased Underage Access
- Increased Access to Counterfeit/ Illicit Product
- Lost State Tax Revenue
- Twenty-First Amendment
- Uneven Playing Field
- Opportunity for Supplier Monopoly Formation
- Failures within the Wine DTC Marketplace



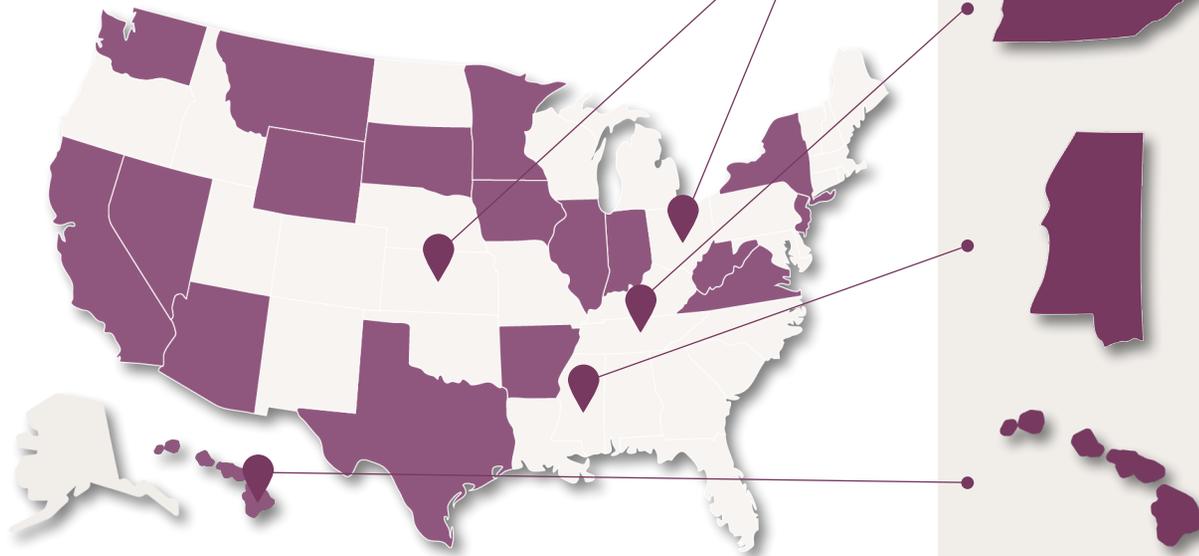
"Fifty percent of the vendors who sold and shipped had no federal license with the Alcohol and Tobacco Tax and Trade Bureau (TTB) and none of the vendors had a Kansas special order shipping license (for wine), both of which are required...It is clearly easy to order alcoholic liquor online giving easy access to underage individuals. **Not only is underage access a problem, but there is a high risk for tainted or counterfeit alcoholic liquor which poses a health risk...Additionally, there is a significant loss of revenue due to the State of Kansas in the form of unpaid liquor enforcement tax and gallonage tax.**"



STATES ACROSS THE COUNTRY PURSUE STRICTER ENFORCEMENT MECHANISMS FOR DTC SHIPPERS

Over the last several years, states found such extensive illegal activity in the existing DTC marketplace that many considered or passed additional enforcement measures. This year, **OH, KS, TN, AL and HI** all passed new and additional reporting legislation.

Currently, 20 states require carriers to report data that can be used to track and measure illegal shipping activity. Unfortunately, to halt illegal activity once a bad actor is identified, states still face expensive and time-consuming enforcement measures, including litigation. These measures will never match the efficiency or efficacy of the three-tier system.



■ Considered and **REJECTED** DTC spirits shipping legislation



OHIO

Passed a measure in 2021 to require regular reporting by fulfillment centers.



KANSAS

Passed a measure in 2021 to require licensing and reporting by fulfillment centers.



TENNESSEE

Considered Legislation in 2021 to BAN use of fulfillment centers by winery direct shippers, and passed a measure to license and require reporting by fulfillment centers.



ALABAMA

Passed a measure in 2021 to require licensing and reporting by fulfillment centers.



HAWAII

Passed a measure in 2021 to require carriers to report alcohol shipments into the state.