

# The Real Facts About H.R. 5034

## FACTS ABOUT H.R. 5034:

- H.R. 5034, claims to seek Congressional support for state-based alcohol regulation. But really, its provisions aim to **negate the significant reforms** that have been achieved through 50 years of case law, including the U.S. Supreme Court's *Granholm vs. Heald* decision.
- It would give wholesalers the power to pass laws to gain an **unfettered monopoly power** and to pass discriminatory laws that would harm consumers, businesses, jobs, and state and local economies.
- The bill will **lead to the passage of discriminatory laws** such as those that prohibit direct-to-consumer shipments from out-of-state wineries, laws that were invalidated by the Supreme Court as Commerce Clause violations, and would restrict consumer choice.
- The bill would **undermine federal authority** over pricing, taxation, product formulation, advertising, labeling, and product safety that have been essential in protecting the public.
- Its provisions will make state laws that are in **violation of the Commerce Clause**, or any other federal provision, immune from challenge.
- **New federal legislation is unwarranted** in an environment that already facilitates safe and secure alcohol regulation at the federal, state, and local level.
- Fifty years of case law and the Supreme Court have spoken clearly on the **balance of power between federal and state authority in alcohol distribution**, including states' rights under the 21st amendment.

## FACTS ABOUT CURRENT ALCOHOL REGULATION AND DISTRIBUTION

- Following the repeal of Prohibition, many states established a **three-tier system** (producer to wholesaler to retailer) as the primary means of distribution for alcohol: producers, distributors, and retailers.
- With passage of the 21<sup>st</sup> Amendment to the Constitution, **states have broad power to regulate alcohol**. Current regulations are effective, and every state taxes and controls alcoholic beverages and collects revenues from sales, distribution, and licensing.
- The current consolidation of wholesalers and swift growth in production has created a bottleneck at the wholesale tier for many wineries who cannot gain wholesaler representation and instead rely on direct-to-consumer shipments.
- Every significant judicial decision for alcohol in the last 50 years has come from a review of state laws that were found to offend the Commerce Clause, federal antitrust laws, or other federal laws. HR 5034 would allow states to legislate and enforce laws that deliberately discriminate and that violate the Commerce Clause and federal statutes.

## FACTS ABOUT THE IMPACT OF WINE ON STATE AND LOCAL ECONOMIES

- America's 6,700 wineries are responsible for retail value sales of more than **\$20 billion and generate 1.1 million jobs**.
- Direct-to-consumer shipments, which account for **\$1 billion in shipments annually**, are critical to the survival of America's small wineries.
- **State and local tax revenue** from grape products in the U.S. in 2007 was **nearly \$8 billion**.
- Wineries are important tourist destinations in all 50 states, attracting **27 million visitors** to U.S. wine regions annually, supporting other businesses from hotels, restaurants and shops to car rentals and more.