July 15, 2026

Administrator Curtis Stewart,

Thank you for speaking with us on Wednesday, July 15, regarding the *Consider Increase of the Central Warehouse Bailment Fee* agenda item listed on the Alabama ABC Board's July 16 public meeting agenda.

We appreciate your willingness to clarify the proposal and explain your intent to have the Board consider additional increases to the already recently increased bailment fee. The AL ABC bailment fee was $0.72 in 2025 and was increased in January 2026 by nearly 40% to the current $1.00 per case. Under this new proposal, the fee will again increase, and ultimately more than double, to $1.25 effective January 1, 2027, and $1.50 effective January 1, 2028.

On behalf of the Distilled Spirits Council of the United States (DISCUS) and the American Distilled Spirits Alliance (ADSA), we respectfully **oppose** these proposed future increases and urge the Board to reconsider them.

It is also worth noting that according to the recently released *Tax Foundation's Distilled Spirits Taxes by State* report, Alabama already has the 4th highest per gallon spirits tax in the country at $22.87, behind only WA, OR and VA. Among only the alcohol control state jurisdictions, AL is already 3rd highest (OR, VA, AL). Compare that to all neighboring state's per gallon spirits taxes: Tennessee $4.46, Mississippi $9.38, Florida $6.50, and Georgia $3.79.

If the proposed increases are adopted, the fee will have increased three times in three years, at a moment when the distilled spirits industry is facing slowing growth, extreme rising costs, and increased economic headwinds.

Unlike beer and wine, these fees apply only to spirits. As a result, the increased costs are ultimately borne by Alabama consumers through higher prices at restaurants, bars, and retail package stores. Disproportionately increasing the fees on spirits places the category at a competitive disadvantage and encourages consumers to shift toward lower-taxed non-spirit-based beverage alcohol categories. One particular area that will be negatively impacted is the spirit-based ready-to-drink (RTD) products, which have been the primary source of growth for the spirits industry. Consumers will simply choose non-spirit, malt or wine based RTD products, which are free from ABC bailment fees and high spirit taxes.

Over time, this shift could reduce spirit sales and undermine the very revenue the ABC seeks to protect. As a control state, revenue growth should be hand in hand with industry and its trends, not by becoming more reliant on increases in taxes and fees on private sector businesses.

During our discussion, you noted that the proposed increases reflect inflation. While we recognize those challenges, ABC already benefits when product prices rise in an inflationary environment; ABC revenues naturally increase with prices.

We remain concerned that approving fee increases extending into 2027 and 2028 would commit the next gubernatorial administration to a policy before Alabama's next governor takes office. Given the upcoming transition in executive leadership, we believe decisions with long-term fiscal implications, for businesses and citizens, should be left to the incoming administration and Board.

The Alabama ABC has not shown sufficient justification for a cumulative increase of this magnitude on bailment fees that fall exclusively on the spirits industry. To this point, we respectfully ask the Board to pause any additional scheduled increases and continue engaging with industry stakeholders to identify a more balanced approach that supports the ABC's operational needs while preserving consumer choice and the long-term health of Alabama's spirits marketplace.

Thank you for your consideration.

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