

## **5. Policy Position**

### **Regulating the Sale and Distribution of Alcoholic Beverages**

#### **BACKGROUND**

The authority of the Southern Legislative Conference member states to control the sale and distribution of alcoholic beverages within their sovereign borders is fundamental, having been established by the ratification of the 21st Amendment to the U. S. Constitution in 1933. It is vital to the public interest and welfare for member states to maintain a comprehensive system of regulation in the areas of such sales and distribution, as alcoholic beverage taxes continue to be a significant source of revenue for each of the member states.

Over the years since the repeal of prohibition by the ratification of the 21st Amendment, the majority of these states have enacted a three-tier distribution system for the sale and distribution of alcoholic beverages: the traditional three-tier system has maintained the independence of state-licensed wholesalers and retailers, while fostering a sound system for tax collection and given SLC member states the ability to maintain strict control over all facets of alcoholic beverage sales.

However, there has been an effort in the recent years on the part of many out-of-state alcoholic beverage vendors using mail order catalogs and computer links to bypass and circumvent such established statutory distribution systems by shipping alcoholic beverages directly to consumers, thereby avoiding the payment of taxes and permit fees and thwarting the states' ability to fully regulate the same. Such direct shipments of alcoholic beverages pose a serious threat to public welfare of the member states, as well as serious threat to a vital tax base.

#### **RECOMMENDATION**

The Southern Legislative Conference of The Council of State Governments opposes any legislation which allows:

- (1) The direct shipment of alcoholic beverages to consumers residing in any of the member states;
- (2) direct shipment of alcoholic beverages into any dry county or subdivision within any of the member states;
- (3) alcoholic beverages to be shipped into any of the member states in any manner which would work to bypass either licensed wholesalers or licensed retailers or both.

Furthermore, the Southern Legislative Conference supports legislation which would foster and protect the three-tier system of alcoholic beverage distribution, prohibit direct shipments into any of the member states from out-of-state-vendors, and provide reasonable sanctions for any such violations.

Adopted by the Southern Legislative Conference, Nashville, Tennessee, August 12, 1996.