

# Central issue is taxation

Liquor Control Commission hears two hours of testimony about alcopops, or flavored malt beverages.

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Whether you call them alcopops or flavored malt beverages, the central issue is the same. It's all about taxation.

Two sides presented their cases to the Liquor Control Commission during a two-hour public hearing Thursday on the question of whether to tax flavored malt beverages as a beer.

To the liquor industry, the issue is simple: The federal government defines flavored malt beverages as beer.

It believes the state, which has historically followed federal definitions, should do the same and tax the drinks — like Smirnoff Ice and Mike's Hard Lemonade — at the lower rate for beer, just as 46 other states do.

The commission doesn't have the staff to test for compliance, so following the federal rules is "good public policy that preserves commission resources," said Marc Sorini, with the Flavored Beverage Coalition.

To the groups who work to curb underage drinking, the issue is equally clear.

Alcopops, as they call the drinks, fit under state law's definition of a distilled spirit.

And controlling alcohol sales to "protect the health, safety and welfare of the people of Nebraska" is part of the Liquor Control Commission's title and job, said Diane Riibe, executive director with Project Extra Mile, a statewide coalition.

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Those who favored the higher tax said forget federal rules. And pay attention to the plain language of state law and to the studies indicating the fruity-flavored beverages are a gateway drink for the young.

The commission should tax the drinks as a distilled spirit, thus adding about \$2 to the cost of a six-pack and helping keep them out of the mouths of teens, they said.

Twice during Thursday's hearing, commissioners or staff corrected teenagers who were testifying on behalf of the higher tax.

Newly appointed Commissioner Robert Batt of Omaha, at his first hearing, took exception to inferences in one teen's testimony the commission was responsible for underage drinking.

What about parental responsibility or the responsibility of teens themselves, he asked.

Don't place blame solely on the commission for problems that are broad societal issues, he said.

After his remarks, a father stepped up to defend parents who monitor their children but who know that Web sites aimed at teenage interests advertise the flavored drinks.

"My kids don't have a lot of money. I would like to price my kids out of the alcopop arena," said Tim Regler, father of six.

The two sides also differed on how the beverage should be described — as a flavored beer or a soda hybrid.

Humans have been adding flavor to malt beverages since the Egyptians put honey and spices in their beer, said Gary Blinn, the Anheuser-Busch wholesaler in Norfolk.

Without any flavoring, beer would taste like soupy oatmeal, Blinn said, and pointed out that flavored beverages make up one-half of 1 percent of his sales and are declining.

Wildberry Jack, Watermelon Spike, Green Apple Bite, Blackjack Cola — these drinks are a kind of cross between soda pop and distilled spirits, said Riibe, with Project Extra Mile.

She and others said the beverages are stripped of their beer qualities, with flavors and sweeteners added.

"Calling this flavored beer is a fraud," said James E. Mosher, Alcohol Policy Consultations of California.

These products are not beer. "One look (at the packaging) can tell you. One drink can tell you. One kid can tell you," said Riibe.

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