



February 20, 2024

The Honorable Vanessa E. Atterbeary, Chair
The Honorable Jheanelle K. Wilkins, Vice Chair
The Honorable Members of the House Ways and Means Committee

RE: Support for HB 663 (Ebersole)

The Distilled Spirits Council of the United States (DISCUS), the national trade association representing producers and marketers of distilled spirits sold in the United States, is pleased to submit the following statement to be included in the hearing record in support of House Bill 663.

We are pleased to support House Bill 663, a bill to provide tax relief on spirits-based ready-to-drink (RTD) products, and we thank Delegate Ebersole for his leadership on this issue. House Bill 663 sets the state excise tax rate for low alcohol spirits-based RTD products at \$0.40 per gallon, or \$0.1057 per liter.

There has been tremendous innovation and transformation in the RTD category over the past several years and in today's marketplace, consumers can choose from malt-based hard seltzers, wine-based flavored spritzers or canned/pre-mixed cocktails produced with distilled spirits. In 2023, there were more than 62 million cases of spirits-based RTDs sold in the United States. The U.S. market is expected to grow to more than 200 million cases benefiting consumers and state coffers if there is fairer taxation.

The pandemic accelerated the growth of these products as adult consumers looked to recreate the cocktail experience at home with convenient, pre-mixed cocktails made with premium spirits, fresh ingredients, and low alcohol by volume (ABV). Unfortunately, Maryland spirits producers pay much higher taxes to produce a spirits-based RTD product even if the product has the exact same or similar ABV as a malt, sugar or wine-based RTD. For example, at 5 percent ABV, the Maryland tax rate on spirits-based RTDs is about 17 times the rate paid for malt- and sugar-based products.

This excessive tax burden is a steep hurdle for any Maryland small distiller that may want to enter this growing category. In fact, according to a survey of craft distillers, 62 percent of those not currently producing RTD products cited the higher tax rate as a barrier to entering the market.

You may hear arguments why a lower tax rate should not be granted to spirits-based RTD products, none of which hold up under scrutiny.

1) Reducing taxes on spirits-based RTD products to the \$0.40 per gallon level will not result in negative economic impacts for Maryland but, in fact, will do the opposite. Our economic analysis indicates that the Maryland Treasury would realize about \$8 million in new tax revenue from this category within the next 5 years based on the new excise tax and Maryland's current 9 percent sales tax rate. Adjusting the tax on these low alcohol products will only increase jobs in Maryland's spirits industry, which today supports more than 24,800 Maryland jobs and \$743 million in wages.

2) Distilled spirits are not "harder" than beer or wine. The Maryland Department of Health's definition of alcohol clearly states that a 12-ounce bottle of beer or wine cooler, a 5-ounce glass of wine or 1.5 ounces of 80-proof distilled spirits all contain the same amount of alcohol.

(https://health.maryland.gov/phpa/mch/Pages/Women_Alcohol_Def.aspx).

It does not matter what beverage alcohol is consumed. There is just as much alcohol in the standard serving of beer or malt-based seltzer as there is in the standard drink of whiskey or wine or a spirits-based RTD.

In addition to the Maryland Department of Health information, the U.S. Dietary Guidelines for Americans for 2020-2025, which is the basis for federal nutrition policy in the United States, defines drink equivalents as follows: "One alcoholic drink equivalent is defined as containing 14 grams (0.6 fluid oz) of pure alcohol. The following count as one alcoholic drink equivalent: 12 fluid ounces of regular beer (5 percent alcohol), 5 fluid ounces of wine (12 percent alcohol), or 1.5 fluid ounces of 80 proof distilled spirits (40 percent alcohol)." (see page 49, www.dietaryguidelines.gov). You can also visit the website <https://standarddrinks.org/>, which also has more information on drink equivalents.

Put simply, there is no *beverage* of moderation, there is only the *practice* of moderation. To suggest by statement or policy that some forms of alcohol are "safer" than others sends a dangerous message when science has recognized for decades that standard servings of distilled spirits, beer, and wine contain the same amount of alcohol. This is a critical aspect of responsible and moderate consumption.

The spirits industry has been leading beverage alcohol product innovation for nearly two decades. Today, it is a major contributor to the state of Maryland, generating nearly \$2.3 billion

in economic activity and \$292 million to local communities and the state in taxes. Adoption of House Bill 663 will continue to support this growth and expand upon the thousands of industry jobs across the state.

We believe this is commonsense legislation. In fact, twenty-four states already have reduced tax rates for spirits-based products with low ABV, as compared to the tax rate applied to distilled spirits products, and many more are considering similar changes in the current sessions. This change will create a more level playing field for spirits-based RTDs with other RTDs with the same or similar alcohol content, which is good for consumers and producers alike.

We thank you for holding this hearing to receive the input from concerned stakeholders on this critical subject, and we respectfully ask for your support of House Bill 663.

Sincerely,

A handwritten signature in black ink, appearing to read 'AD', with a stylized flourish at the end.

Andy Deloney
Senior Vice President and Head of State Public Policy