



February 16, 2024

Hon. Vanessa E. Atterbeary, Chair
House Ways and Means Committee
Maryland General Assembly

RE – Support HB 663 (Alcoholic Beverages Tax – Ready-to-Drink Cocktails)

Dear Chair Atterbeary and Members of the House Ways and Means Committee,

We appreciate the opportunity to express our support for House Bill 663 which updates the State of Maryland's beverage alcohol regulatory and tax structure. The bill promotes innovation of spirits products, sustains state revenues, and continues an appropriate level of oversight including on public health and safety.

The American Distilled Spirits Alliance (ADSA) is a group of industry leaders in manufacturing, importing, and marketing of distilled spirits in the United States and around the world. We represent hundreds of spirits brands and nearly 70% of all distilled spirits sales in the US.

Currently, spirits-based alcoholic beverages, regardless of alcohol content, are taxed at 'full strength' at \$1.50 per gallon. Comparatively, beer is taxed at .09 cents per gallon and wine is taxed at .40 cents per gallon. With HB 663 creating a new category for ready-to-drink (RTD) beverages, we appreciate the Assembly also considering a lower alcohol-by-volume (abv) tax rate on lower-proof, spirits-based, RTD beverages.

RTD's, generally, and low-proof RTD's, specifically, are very popular and the category is growing. We firmly believe that low-proof RTD's should be fairly taxed at the same rate or near the same rate as beer and wine offerings with similar low abv. Spirits-based RTD's sometimes have less alcohol by volume than beer, wine, hard ciders and seltzers. For example, several of our member companies offer 12oz spirits-based RTD beverages with a 4.5% abv that results in a .14 cent tax. Whereas a similar 12oz malt-based beverage with a 5% abv results in a .01 cent tax.

The General Assembly has an opportunity to more fairly tax low abv spirits in substantially the same manner as other similar beverage alcohol. Namely, a .40 cent per gallon excise tax on low proof, spirits-based RTD's (defined as 12% abv or less). Forty cents per gallon on low-proof RTD's is much more competitive than the current \$1.50 per gallon on 'full strength' alcohol. We would note that even at .40 cents per gallon, this still represents an amount four times that of a similar malt-based RTD product.

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Tax fairness for products of similar abv, irrespective of whether the product is a beer, wine or spirit is what we are seeking. HB 663 gets us closer to tax fairness on like products, though not all the way to tax parity.

Twenty-five states already recognize that lower abv spirits should not be taxed at the same rate as 'full strength' spirits, such as the bottles of spirits in your homes and liquor cabinets. As an example, those bottles might contain up to 40% abv or more and, as such, are taxed at full strength. But the sought after, popular, low abv RTD's – those under 12% abv as proposed in HB 663 - are a different product entirely and, therefore, should be taxed at a lower rate entirely.

Only 5% of the liquid in a low abv RTD contains alcohol. Five percent. The rest is water, mixer and/or flavoring. Yet, the products are treated, and taxed, like a typical 'full strength' abv bottle. That makes little sense.

The Maryland General Assembly has an opportunity to regulate and tax a new low abv spirit category in the same manner as other low abv beverage alcohol products. That is tax fairness for substantially the same product and substantially the same low alcohol by volume. Thank you for your consideration.

Sincerely,

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Director of State Affairs

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