

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 736
Ways and Means

Alcoholic Beverage Tax - Ready-to-Drink Cocktails

This bill establishes an alcoholic beverage tax rate for ready-to-drink (RTD) cocktails in an amount equal to \$0.60 per gallon or \$0.1585 per liter. An RTD cocktail is defined as a beverage that (1) contains distilled spirits mixed with nonalcoholic beverages and may contain wine; (2) is 12% or less alcohol by volume; and (3) is contained in original packaging consisting of a container that is not more than 16 ounces. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund revenues may decrease by a significant amount beginning in FY 2027. Under one set of assumptions, revenues decrease by at least \$2.0 million annually beginning in FY 2027. Expenditures are not directly affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The alcoholic beverage tax rate for distilled spirits is \$1.50 per gallon or \$0.3963 cents per liter. If distilled spirits contain a percentage of alcohol greater than 100 proof, an additional tax is imposed, for each 1 proof over 100 proof, of \$0.015 per gallon or \$0.3963 per liter. The alcoholic beverage tax rate for wine is \$0.40 per gallon or \$0.1057 per liter. The alcoholic beverage tax rate on beer and mead is \$0.09 per gallon or \$0.023778 per liter.

For fiscal 2027, the December 2025 general fund revenue forecast assumes \$26.1 million in distilled spirits tax revenues, \$7.1 million in wine tax revenues, and \$7.3 million in beer tax revenues.

The 2022 *Joint Chairman's Report* required the Maryland Alcohol, Tobacco, and Cannabis Commission (ATCC) to review the tax rates for RTD cocktails in other states and their impact on the revenue of those States. A copy of the report can be found here: [2023 RTD Report](#).

State Revenues: ATCC advises that RTD cocktails are currently taxed at the distilled spirits tax rate of \$1.50 per gallon. Therefore, the bill lowers the tax rate for this type of alcoholic beverage by 60% to \$0.60 per gallon. As a result, general fund revenues decrease by a potentially significant amount beginning in fiscal 2027. The amount of the revenue decrease depends on the number of gallons of RTD cocktails that are taxed at the new rate each year. However, the Comptroller's Office does not have data on the share of alcoholic beverage tax revenues that are derived directly from RTD cocktails. It is also important to note that the bill does not apply to all forms of RTD cocktails, such as those containing a malt alcohol, which the Comptroller's Office advises are taxed at the beer tax rate of \$0.09 per gallon.

Under the following set of assumptions, and *for illustrative purposes only*, general fund revenues may decrease by at least \$2.0 million annually beginning in fiscal 2027:

- distilled spirits tax revenues are estimated to be approximately \$26.1 million in fiscal 2027, increasing to \$27.8 million in fiscal 2031;
- RTD cocktails made up approximately 13.5% of sales of distilled spirits in Maryland in calendar 2023;
- At least 70% of RTD cocktails are subject to the new tax rate; and
- revenues decrease by approximately 2% annually.

To the extent that the actual proportion of RTD cocktails sold in the State differs from that used in the estimate, the effect on general fund revenues will vary accordingly.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 663 of 2024.

Designated Cross File: None.

Information Source(s): Alcohol, Tobacco, and Cannabis Commission; Comptroller's Office; Department of Legislative Services

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