DIAGEO

Testimony in Support of SB 793 (Alcoholic Beverage Tax – Ready-to-Drink Cocktails)

Dwayne Kratt, Sr. Director State Government Affairs, Diageo

Senate Budget & Taxation Committee

March 10, 2022

Good afternoon, Chairman Guzzone and Members of the Committee:

My Name is Dwayne Kratt and I represent Diageo, a distiller and brewer of beer products. I am here today in support of Senate Bill 793 which would reform the tax rate on low-proof alcohol beverages so that the tax rate is fairer and more equitable when compared to like products with similar levels of alcohol.

Currently, spirits based low-proof, ready-to-drink beverages are taxed at a rate of $1.50 a gallon or almost 17 times higher than malt beverages with similar alcohol by volume or ABV.

To say this in another way, I have three Diageo products:

<u>**Tanqueray Gin RTDs**</u>	<u>**Guinness Blonde**</u>	<u>**Guinness Draught**</u>
*6% ABV – 12 oz., excise tax is **14 Cents** for this container*	*5% ABV – 12 oz., excise tax is just **< a penny***	*4.2% ABV – 14.9 oz., excise is just **> a penny***

This dramatic tax difference on products with roughly the same amount of alcohol by volume creates an unfair marketplace especially when these products generally compete against malt or sugar-based seltzers that are taxed at the much lower beer rate.

In response, this legislation creates a new low spirit RTD category with a tax rate of 40 cents per gallon for spirit based RTDs at 12% ABV or less. The rate is **still** significantly higher than the beer rate – more than 4 times higher, but it does provide these products with a "fairer opportunity" to compete.

Do we believe this legislation will cost MD tax revenue?

No, we don't. The reason is that these low spirit RTD products compete against lower taxed beer products and seltzers. They will still be taxed at a higher rate than beer. The anticipated "substitution" will be <u>from</u> beer/sugar-based products taxed at .09 per gallon <u>to</u> low spirit RTDs taxed at .40 per gallon. "Regular" spirits that are usually 40% ABV and taxed at $1.50 will not see a decrease in sales due to these products.

The result is that we anticipate the state will gain revenue via increased excise and sales taxes, although not a significant amount.

Is this proposal outside the norm of what other states are doing?

The answer to this question is also no. In 23 states, these low alcohol spirit-based products are taxed a lower rate than compared to what I will call "full proof spirits" which are generally 40% ABV. We are also seeing several states contemplate similar legislation to this bill.

Bottom line is alcohol is alcohol – it doesn't matter if the alcohol is derived from brewing, fermentation or distilling.

The common metric here is *the alcohol by volume*. When the ABV is roughly the same, it doesn't matter if the product is a beer, a wine, or a spirit. Anyone who suggests otherwise is incorrect.

In conclusion, we are simply asking for more equitable treatment for similar products.

Thank you for your consideration.

Maryland RTD Testimony SB 793 3_10_22.pdf
Uploaded by: Morgan Mills
Position: FAV

DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

March 10, 2022

Hon. Guy J. Guzzone, Chair
Hon. James C. Rosapepe, Vice-Chair
Maryland Senate Budget and Taxation Committee
Miller Senate Office Building
3 West Wing
11 Bladen Street
Annapolis, MD 21401 - 1991

Dear Senator Guzzone and Senator Rosapepe:

This letter is submitted on behalf of the Distilled Spirits Council of the United States (DISCUS), a national trade association representing producers and marketers of distilled spirits sold in the United States, in support of SB0793, entitled “Alcoholic Beverage Tax - Ready-to-Drink Cocktails.”

As you know, SB0793 seeks to set the state excise tax rate for low alcohol spirits based ready to drink products $0.40 for each gallon or $0.1057 for each liter.

There has been tremendous innovation and transformation in the ready-to-drink (RTD) category over the past several years originating from large and small beer, wine and spirits producers. 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 2021, there were approximately 37 million cases of spirits-based RTDs sold in the United States. Based on the trajectory from other countries, the U.S. market is expected to grow to more than 200 million cases benefiting consumers and state coffers if there is fair and equitable taxation. The pandemic accelerated the growth of these products as adult consumers look to recreate the cocktail experience at home with convenient, pre-mixed cocktails made with premium spirits, fresh ingredients and low ABV. Some of these can be single serve in a 12 ounce can or can be sold in larger containers and multi-serve.

Unfortunately, Maryland spirits consumers are forced to pay much higher taxes for 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% ABV, the Maryland tax rate on spirits-based RTDs is 17 times the malt- and sugar-based state tax rate ($0.008 per 12 ounce can for malt-based vs.$0.14 per 12 ounce can for spirits-based).

This excessive tax burden is also a steep hurdle for any Maryland small distiller that may want to enter this growing category. In fact, according to a recent 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.

Maryland is one of many states taking a closer look at the issues that prevent consumers from having equal access to spirits-based RTD products in the marketplace and working to ensure those products are being taxed fairly to support consumers and small businesses in their communities.

You may hear "reasons" 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/gallon level will not result in negative economic impacts for Maryland. Our economic analysis indicates that the Maryland Treasury would realize more than $8.6 million in new tax revenue from this category within the next 3 to 5 years based on the new excise tax and Maryland's current 9% 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.

   In addition to the Maryland Department of Health information, the Dietary Guidelines for Americans, 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% alcohol), 5 fluid ounces of wine (12% alcohol), or 1.5 fluid ounces of 80 proof distilled spirits (40% 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 "softer" 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 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 Senate Bill 0793 will continue to support this growth and expand upon the thousands of industry jobs across the state.

We believe this 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 twelve more are considering similar changes in the current sessions. This is not unusual policy. This change will create a more level playing field for spirits-based RTDs with other RTDs made from other types of alcohol with the same or similar alcohol content, which is good for consumers and producers alike.

Some others in the beverage alcohol industry do not support greater access for spirits-based RTDs in the marketplace or any reduction in the tax burden on these products, but in our view, there is no public policy rationale for maintaining policies that stifle innovation and prevent competition. In fact, we think policies should foster <u>both</u> innovation and competition, and then let consumers decide. What could be more American than that?

Thank you for your consideration.

Sincerely,

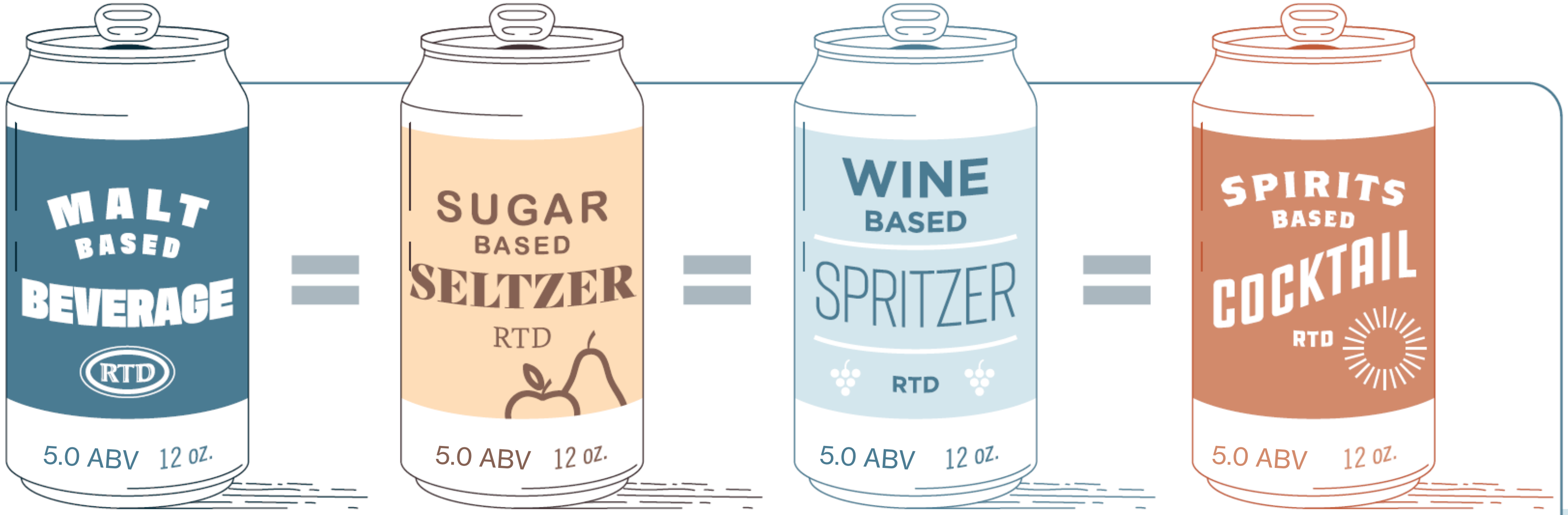
Jay M. Hibbard
Senior Vice President of State Public Policy

Attachment: Tax burden graphic

cc: Members of the Maryland Senate Budget and Taxation Committee

RTD Graphic Maryland.pdf
Uploaded by: Morgan Mills
Position: FAV

Maryland: Comparison of Tax Rates



.8 cents = .8 cents = 4 cents = 14 cents

Denizens Brewing Co. Testimony Oppose SB0793 RTD[3
Uploaded by: Jenna McGreevy
Position: UNF

DENIZENS
BREWING CO.

March 8, 2022

The Honorable Guy Guzzone
Chair
Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

RE: In Opposition to SB0793 Alcoholic Beverage Tax - Ready-to-Drink Cocktails

Dear Chairman Guzzone,

I am submitting this written testimony to share my opposition to SB0793. This legislation will give a massive tax cut to the world's largest multinational alcohol corporations. These same companies are coming out of the 2-year COVID pandemic posting record profits. Meanwhile, many of Maryland's small beverage alcohol businesses are coming out of the 2-year COVID pandemic facing double digit revenue losses. This tax cut for the thriving corporate behemoths will give them another unfair advantage towards preventing Maryland's small beverage alcohol producers from gaining market share. If this bill were nuanced and focused on reducing taxes for only the smallest distilleries in Maryland, I would be submitting testimony in full support of this bill. Because of how broad the current language is - I cannot support it. I do not think it makes sense, nor is it fair to give a tax break to corporations who are have succeeded far beyond expectations in the face of a global pandemic while the smallest businesses have suffered immensely. It is not only bad policy, but also bad politics. Please support Maryland's small businesses and vote against this bill.

Thank you for your consideration and for your service to our state.

Julie C. Verratti
Founder, Denizens Brewing Co.

Barrel House & Beer Garden: 1115 East-West Highway, Silver Spring, MD 20910 | 301-557-9818
Production House & Taproom: 4550 Van Buren Street, Riverdale Park, MD 20737 | 240-582-6817
www.denizensbrewingco.com | @DenizensBrewing

SB 793 Beer Industry Letter[64].pdf
Uploaded by: Kim Mayhew
Position: UNF

March 9, 2022
The Senate Budget and Taxation Committee
The Honorable Guy Guzzone– Chair
The Honorable Jim Rosapepe – Vice-Chair
Members of the Budget and Taxation Committee

SENT VIA ELECTRONIC MAIL

Dear Committee Members:

Today, we write to oppose Senate Bill 793, a proposal to reduce the tax rate on canned cocktails made with hard liquor. We represent brewers of all sizes in the State of Maryland and the wholesalers who distribute beer products across the state.

The proposal lowers the excise tax rate for hard liquor-based canned cocktails in Maryland by 73 percent and will result in a loss to the state treasury of more than $15 million over the next five years, according to the fiscal note. Current alcohol industry data and sales trends estimate an even higher loss of more than $21 million over the next five years. Despite the liquor industry's assurances that the lost tax revenue will be made up and new revenue will be brought in by taking share from beer and hard seltzer, current alcohol industry data show the opposite. Approximately 70 percent of canned cocktail drinkers are coming from other alcoholic beverages and are not switching from beer or seltzer.

As Maryland continues to recover from the COVID-19 pandemic, it is questionable as to how a deep tax cut to liquor benefits the local economy and job creators. Maryland businesses and workers need all the help they can get as they struggle to recover from the pandemic, especially in the face of unprecedented inflation. The hospitality sector lost millions of jobs during the pandemic, and in 2020 alone, more than 550,000 jobs were lost in the beer industry. Will liquor companies lower their prices for consumers? Will the tax cut get passed on to the hospitality industry that so desperately needs help rebuilding? The liquor industry recorded a massive $3.8 billion in revenue last year. The CEO of Beam Suntory, the maker of Jim Beam and other spirits, said in a recent interview that "ready to drink [canned cocktails] generate cash." [1] This does not seem like an industry that needs a tax cut at this time.

Maryland ranks 24th in the country in the number of craft breweries. Brewers and beer distributors, many of them family-owned businesses, are important economic contributors with distribution companies throughout the state. The beer industry accounts for $4.5 billion in economic contributions to the state and creates more than 31,000 jobs for Maryland families. More than $224 million in state and local taxes are generated from the consumption of beer. In addition, another $327 million in business and personal taxes are paid to the state and local communities because of beer. Hard liquor simply does not have the same economic impact that our local beer industry does, and a lowering of the excise tax rate for these products gives an unfair tax advantage to an industry dominated primarily by out-of-state companies.

Additionally, this legislation undermines the public safety risks associated with liquor.
Beer has long been recognized as the beverage of moderation, and policymakers and the public understand that beer and liquor are very different products. Hard liquor says they're for responsible drinking, but their 40-year campaign to put beer and liquor on the same shelf would suggest otherwise. Consumers know a vodka martini is different than a beer. The average ABV of a beer is just below 5 percent. The average ABV of a hard liquor drink is more than 36 percent. It seems as though liquor companies are using canned cocktails to push for a tax rate that significantly downplays the differences between beer and liquor. This directly undermines the responsible drinking campaigns that hard liquor claims to support.

We urge the Committee to oppose this legislation. Hard-earned Maryland taxpayer dollars could be spent on more critical issues facing our state rather than giving a handout to hard liquor.

Thank you for the opportunity to express our collective opinion on Senate Bill 793.

Respectfully submitted on behalf of:

Anheuser-Busch
Beer Institute
Boston Beer Company
Brewers Association
Brewers Association of Maryland
Constellation Brands Beer Division
HEINEKEN USA
Mark Anthony Brands, Inc.
Maryland Beer Wholesalers Association
Molson Coors Beverage Company
National Beer Wholesalers Association

[1] Lucas, A. (2022, February 21) Beam Suntory sales rise 11%, as shift to high end spirits pays off. CNBC. https://www.cnbc.com/2022/02/21/beam-suntory-sales-rise-11percent-in-2021-fueled-by-shift-to-high-end-spirits.html

NCADD-MD - SB 793 UNF - Alcohol Tax Decrease.pdf
Uploaded by: Nancy Rosen-Cohen
Position: UNF

NCADD
MARYLAND

Senate Budget & Tax Committee
March 10, 2022

Senate Bill 793 - Alcoholic Beverage Tax - Ready-to-Drink Cocktails

Oppose

NCADD-Maryland strongly opposes Senate Bill 793. After many years of advocating for an increase in the alcoholic beverage tax, the General Assembly agreed in 2011 that the benefits to an increase in the sales tax rate for alcohol were well worth supporting that measure.

Since that new tax was enacted, there have been a number of benefits realized. At its core, the increase in revenues helped support funding for numerous health care services in Maryland, including substance use and mental health disorder services. The need for behavioral health services is only growing, as witnessed in part by an ever-worsening opioid overdose crisis, and of course, the impact of the global pandemic.

There is also evidence as described in reports published in the American Journal of Preventive Medicine that the tax has contributed to the reduction in certain sexually transmitted diseases[1] and alcohol-positive drivers involved in injury crashes, especially among drivers aged 15 to 34 years.[2] Also, the journal Addiction published a report demonstrating the link between higher taxes on alcohol and a decrease in binge drinking. Research on the impact of the tax increase continues and we expect to find more public health and economic benefits in the near future.

We appreciate that the alcohol and liquor industry has been evolving and has developed new products. But decreasing the price of alcoholic beverages would have a negative impact on public health. A 2018 report from the Abell Foundation clearly states, "As the price of alcohol increases, death and injury decrease, with specific declines in alcohol-related diseases, violence, traffic crashes, and crime."[3] We believe that drinks that are made from spirits should be taxed as spirits as a public health policy.

Alcohol tax policy does not just impact revenue to the state, but also a range of public health issues. Maryland has a long history of using tax policy to influence public health, and should not take this step that will make alcohol more accessible and reverse the positive impacts the current tax policy has had in Maryland. We urge an unfavorable report on SB 793.

The Maryland Affiliate of the National Council on Alcoholism and Drug Dependence (NCADD-Maryland) is a statewide organization that works to influence public and private policies on addiction, treatment, and recovery, reduce the stigma associated with the disease, and improve the understanding of addictions and the recovery process. We advocate for and with individuals and families who are affected by alcoholism and drug addiction.

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[1] https://www.ajpmonline.org/article/S0749-3797(15)00627-3/fulltext
[2] https://www.ajpmonline.org/article/S0749-3797(16)30692-4/fulltext
[3] https://abell.org/sites/default/files/files/Abell%20Public%20Health%20Report%20022718.pdf

National Council on Alcoholism & Drug Dependence – Maryland Chapter
28 E. Ostend Street, Suite 303, Baltimore, MD 21230 · 410-625-6482 · fax 410-625-6484
www.ncaddmaryland.org

SB 793 Beer Industry Letter in Opposition.pdf

Uploaded by: NICK MANIS

Position: UNF

March 9, 2022
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The Honorable Guy Guzzone– Chair
The Honorable Jim Rosapepe – Vice-Chair
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As Maryland continues to recover from the COVID-19 pandemic, it is questionable as to how a deep tax cut to liquor benefits the local economy and job creators. Maryland businesses and workers need all the help they can get as they struggle to recover from the pandemic, especially in the face of unprecedented inflation. The hospitality sector lost millions of jobs during the pandemic, and in 2020 alone, more than 550,000 jobs were lost in the beer industry. Will liquor companies lower their prices for consumers? Will the tax cut get passed on to the hospitality industry that so desperately needs help rebuilding? The liquor industry recorded a massive $3.8 billion in revenue last year. The CEO of Beam Suntory, the maker of Jim Beam and other spirits, said in a recent interview that "ready to drink [canned cocktails] generate cash." [1] This does not seem like an industry that needs a tax cut at this time.

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[1] Lucas, A. (2022, February 21) Beam Suntory sales rise 11%, as shift to high end spirits pays off. CNBC. https://www.cnbc.com/2022/02/21/beam-suntory-sales-rise-11percent-in-2021-fueled-by-shift-to-high-end-spirits.html

Heavy Seas written testimony 3.10.2022[27].pdf

Uploaded by: Perry White

Position: UNF

HEAVY SEAS BEER

The Senate Budget and Taxation Committee
The Honorable Guy Guzzone– Chair
The Honorable Jim Rosapepe – Vice-Chair
Members of the Budget and Taxation Committee

SENT VIA ELECTRONIC MAIL

Dear Committee Members:

I'm sorry I could not appear before you today but appreciate the opportunity to submit my comments for the record. When I started Clipper City Brewing Company in 1995, now better known as Heavy Seas Beer in Baltimore, I could never have guessed that we'd be where we are today. I'm proud of the role our brewery plays in our community, and I'm humbled by our employees who worked hard during the pandemic to keep each other safe while brewing the quality beer Marylanders know so well. I can only imagine the challenges other local businesses face as we work to return to normalcy. That's why I'm concerned about a new proposal to give a tax break to hard liquor: it's unclear what purpose this legislation serves.

Marylanders were hit hard by the pandemic. Many of us are just now starting to recover, and as a local business owner, I can say that extraordinary inflation, supply chain issues, and labor shortages are hindering our efforts. As the Maryland legislature looks for ways to support our communities and local businesses, I encourage our lawmakers to use taxpayer dollars wisely. HB 867 / SB 793, which gives a tax break to hard liquor, does not seem like a good use of hard-earned taxpayer dollars.

Hard liquor reported massive sales in 2021, amassing a record $3.8 billion in revenue last year. The trade association for the liquor industry has been on the record boasting about the profits their companies have made. The CEO of Beam Suntory, the maker of Jim Beam and other spirits, said that "ready to drink [canned cocktails] generate cash." Meanwhile, the beer industry lost nearly 600,000 jobs due to the pandemic. The hospitality industry lost millions of jobs, which as we know, has a ripple effect throughout our communities and local economy.

If HB 867 / SB 793 passes, it will blow a hole in the state's budget. According to the fiscal note, this bill will blow a $15.4 million hole in the state's budget over five years. Alcohol industry data and current trends estimate an even larger number -- $21.3 million over the next five years. That means taxes must be raised elsewhere to make up for the cuts given exclusively to liquor companies.

Where will these tax cuts go? Will liquor companies – many of which are out-of-state and foreign-owned – pass these tax cuts on to consumers? Will the tax breaks go to restaurants, bartenders, and so many others in the hospitality industry who desperately need price cuts as they battle rising prices due to inflation?

Across our state, there are now 120 breweries generating nearly $4.5 billion in economic benefits every year. My colleagues and I are proud to support the more than 31,000 Maryland jobs created by the beer industry. Breweries have evolved into being a staple in our neighborhoods – a place where friends, family, and coworkers can grab a beer together – not to mention economic drivers that support our local agriculture, manufacturing, and trucking industries, to name just a few. Prioritizing big liquor over local industries just doesn't seem right.

Instead of passing a tax cut for hard liquor, I encourage Maryland lawmakers to focus on supporting our local businesses and working families as we build back from the effects of the pandemic. There are so many issues facing our state right now that need immediate attention. The legislature could concentrate their efforts on strengthening our education system, bolstering childcare for working families, and addressing our frontline workers' needs, for example. Now is simply not the time to give a handout to hard liquor.

Thank you.

Hugh Sisson, Founder
Heavy Seas Beer

SB793-MdPHA-UNF.pdf
Uploaded by: Raimee Eck
Position: UNF

SB 793 Alcoholic Beverage Tax – Ready-to-Drink Cocktails
Hearing Date: 3/10/22
Committee: Budget and Taxation
Position: Opposed

Thank you, Chair Guzzone, Vice-chair Rosapepe, and members of the Budget and Taxation Committee for holding this hearing on SB 793, a bill which lowers the tax on distilled spirits-based ready-to-drink (RTD) cocktails to 40 cents/gallon. The Maryland Public Health Association's Alcohol, Tobacco & Cannabis Network offers testimony in opposition to this bill.

As determined by the Centers for Disease Control and Prevention (CDC), excessive drinking of alcohol costs states $249 billion per year, 40% of which is borne by federal and state governments.[1] In Maryland, excessive alcohol use costs us about $5 billion annually, while we collect about $310 million in taxes. Analyses have found that the combined federal and state average tax per drink here in Maryland is $0.19 a drink, while the cost of excessive drinking is $2.22 a drink.[2] We are already operating at a deficit in terms of costs to society and costs to government from alcohol-related harm, so decreases in any alcohol taxes are not supported or advisable.

Distilled spirits are taxed at a higher rate than wine and beer, and RTDs are specifically made with distilled spirits, placing them in that category. The alcohol by volume (ABV) is the not the only consideration for these categories, it is also the production process and ingredients. Flavored malt beverages (FMBs) are generally fruity and fizzy, hence the nickname "alcopops" (think Mike's Hard Lemonade or Four Loko). These are taxed as beer, due to an industry process that essentially starts with making beer, extracting the beer flavor, and then adding flavorings. It is not based on the alcohol content of the products. While many of the RTDs are also fizzy and fruity, they are produced from spirits (think Jack Daniels Whiskey & Cola, Ketal One Vodka Spritz or Cutwater Tiki Rum Mai Tai).[a]

If a decision is made to tax these based on ABV, rather than the production process and ingredients, that we submit that products like Four Loko and Joose, which can be up to 11-12% alcohol in 23oz containers also be taxed at a higher level. These are single serve containers with up to the amount of alcohol found in an entire bottle of wine.

There are broader impacts on access by underage youth; a primary objective for public health is to delay initiation of alcohol by youth as long as possible to reduce the long term risks of addiction and misuse.[3] Importantly, underage youth have different preferences for alcohol products than adults. One major difference appears to be the appeal of alcopops. In 2020,

[a] https://bevalcinsights.com/drizlys-top-5-rtd-cocktail-flavors/

Maryland Public Health Association (MdPHA)
PO Box 7045 · 6801 Oak Hall Ln · Columbia, MD 21045-9998
GetInfo@MdPHA.org www.mdpha.org 443.475.0242

one-half of underage drinkers reported drinking alcopops in the past 30 days.[4] Moreover, the sugary flavorings in alcopops mask the bitter taste of alcohol, thereby facilitating youth consumption of alcohol.[5,6]

We also find the max ABV cap and container type and size listed for this beverage problematic. A 12% ABV beverage in a 12oz can (generally considered a single serving size) is equivalent to 2.4 standard servings of alcohol. Bottles of wine and distilled spirits are generally sold in multi-serving containers with corks and screw tops. Without any nutrition labels, a can implies a single serving.

In legislation passed in 2019, the Alcohol and Tobacco Commission was tasked with "the development of a public health impact statement for all changes to the state alcoholic beverages law...". A statewide bill like this should be subject to such a statement to scientifically evaluate the impact on youth access, businesses, communities, and public health and safety.

We urge an unfavorable report on SB 793.

The Maryland Public Health Association (MdPHA) is a nonprofit, statewide organization of public health professionals dedicated to improving the lives of all Marylanders through education, advocacy, and collaboration. We support public policies consistent with our vision of healthy Marylanders living in healthy, equitable, communities. MdPHA is the state affiliate of the American Public Health Association, a nearly 145-year-old professional organization dedicated to improving population health and reducing the health disparities that plague our state and our nation.

1. Sacks JJ, Gonzales KR, Bouchery EE, Tomedi LE, Brewer RD. 2010 National and State Costs of Excessive Alcohol Consumption. *Am J Prev Med.* 2015;49(5):e73-79.
2. Blanchette JG, Chaloupka FJ, Naimi TS. The Composition and Magnitude of Alcohol Taxes in States: Do They Cover Alcohol-Related Costs? *J Stud Alcohol Drugs.* 2019;80(4):408-414.
3. Dawson DA, Goldstein RB, Shou SP, Ruan WJ, Grant BF. Age at First Drink and the First Incidence of Adult-Onset DSM-IV Alcohol Use Disorders. *Alcohol Clin Exp Res.* 2008;32(12):1-12.
4. Johnston LD, Miech RA, O'Malley PM, Bachman JG, Schulenberg JE, Patrick ME. Monitoring the Future National Survey Results on Drug Use, 1975-2020: Overview, Key Findings on Adolescent Drug Use. *Institute for Social Research.* 2021.
5. Mosher JF. Joe Camel in a bottle: Diageo, the Smirnoff brand, and the transformation of the youth alcohol market. *Am J Public Health.* 2012;102(1):56-63.
6. Mosher JF, Johnsson D. Flavored alcoholic beverages: an international marketing campaign that targets youth. *Journal of Public Health Policy.* 2005;26(3):326-342.

Opposition to SB 793 & HB 867 to Decrease Tax on Spirits-Based Ready-to-Drink (RTD) Products

Wine Institute is the trade association of California wineries, representing more than 1,000 wineries and associate members. We are **opposed to Maryland HB 867 & SB 793**, which would reduce the tax on spirits-based ready-to-drink (RTD) cocktails from the current $1.50/gallon spirits tax to the same tax rate as table wine, $0.40/gallon. These bills would define "ready to drink cocktails" as those containing distilled spirits mixed with nonalcoholic beverages; they may also contain wine. They must contain 12% or less alcohol by volume (ABV) and be sold in metal cans smaller than 12 ounces.

Wineries, breweries and distilleries have introduced hundreds of creative new products that blur historical lines between wine, beer and spirits. Beer- and wine-based products generally fit into existing alcohol tax categories, but states are now being asked to set new tax rates on spirits-based products driven solely by the ABV of new products that are lower than that of distilled spirits.

Since the end of Prohibition, the federal government (and most states) have controlled and taxed wine, beer and spirits based on two factors: 1) the license of the producer and its raw material (e.g., wineries fermenting grapes, breweries brewing grains and distilleries distilling other natural products), and 2) the ABV of the finished product. The federal government continues to regulate the producer, formula, labeling and containers of all alcohol, and it continues to charge federal excise tax rates based on both factors.

The Maryland bills propose to drop the tax rate on spirits-based RTDs by 73% based entirely on ABV, without regard to the producer and raw material used. A broader discussion regarding the appropriate ABV limit and tax treatment of all products needs to occur before Maryland deviates from longstanding alcohol tax policy for popular products that grew in sales volume by 53% last year.

This change would further blur the lines between products and confuse consumers about alcohol content. While these RTDs would contain distilled spirits and be marketed as cocktails, they would be taxed at a lower rate. **Wine Institute opposes all legislation, including Maryland's SB 793 & HB 867, lowering the tax on spirits-based RTDs to the same or a similar tax rate as wine.**

If the Legislature wishes to reduce the tax on alcohol, it might instead reevaluate one that impacts wine, beer and spirits equally by removing the 9% sales tax surcharge on all off and on-premises alcohol sales in Maryland.

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