



Opposition to HB 867 & SB 793 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 is 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 HB 867 and SB 793, 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 reevaluation 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.

For more information, please contact Wine Institute Eastern Counsel Terri Cofer Beirne at tbeirne@wineinstitute.org or our Maryland lobbyists Greg Snyder at greg@bellamygennngroup.com or Lorenzo Bellamy at Lorenzo@bellamygennngroup.com.