



February 18, 2022

The House Ways and Means Committee
The Honorable Vanessa Atterbeary – Chair
The Honorable Alonzo Washington – Vice-Chair
Members of the House Ways and Means Committee

SENT VIA ELECTRONIC MAIL:

Dear Committee Members:

Today, we write to oppose House Bill 867, a proposal to reduce the alcoholic beverage tax rate on canned cocktails made with hard liquor. We represent brewers and beer importers of all sizes in the State of Maryland and the wholesalers who distribute beer products across the state. The proposal lowers the hard liquor-based excise tax rate in Maryland by 73% and will result in a loss to the state treasury of more than \$21 million over the next five years. In addition, beer has long been recognized as the beverage of moderation, and policymakers and the public understand that beer and spirits are very different products. In the United States, these differences have been reflected in the way the two products have been taxed and regulated since Prohibition was repealed in 1933. It is important the tax code accounts for the risks associated with hard liquor and appropriately reflects the best way to classify and treat spirits-based ready-to-drink cocktails.

Maryland ranks 24th in the country in the number of craft breweries, boasting 121 craft breweries. 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.

Beer and liquor are brought to market in very different ways. Per liter of pure alcohol, beer costs 2.5 times more than that of liquor to produce. Beer also has higher distribution costs than liquor. The brewing process and the quality of the ingredients that go into the process are critical to the finished product. Brewing is a more intense and time-consuming process than distilling. Similarly, beer is bulky, heavy, perishable, and fragile, and needs special protection from light, heat, and oxygen, making it more costly to store and distribute. Because of these differences in production, it makes sense for beer to be taxed at a different rate than hard alcohol.

Further, because beer is fundamentally different from spirits, the tax code appropriately reflects the distinctions between the two products across the country. Beer is significantly lower in alcohol by volume (ABV) than hard liquor, and the aggregate amount of beer sold in the U.S. has an average ABV of 4.62%, while the average ABV of spirits products sold in the U.S. is between 36.9% and 38.3%.

House Bill 867 would send the wrong message by downplaying the risks of hard liquor. The beer industry has spent decades on responsible drinking campaigns, safe ride initiatives, voluntary advertising guidelines, supporting retailer I.D. checks, and the creation and availability of low-to-no alcohol beverages – all to help ensure consumers can enjoy beer products safely and responsibly. The liquor industry, meanwhile, has spent millions of dollars pushing a public policy agenda that makes it easier for consumers to access high-risk, high ABV products. The liquor industry’s message to consumers dangerously suggests that all drinks are equal, which does a grave disservice to consumers and flies in the face of public safety.

As Maryland continues to recover from the COVID-19 pandemic, it is hard to justify such a deep tax cut to spirits. These products are nearly exclusively made by companies outside of Maryland. A lowering of the excise tax rate for these products gives an unfair tax advantage to out-of-state companies and undermines the public safety risks associated with liquor and spirits.

We urge the Committee to consider the ramifications of this proposal. We ask that you request a fiscal note certification by the Department of Legislative Services to understand the negative impact of this legislation on the state budget. Finally, we urge careful consideration when deliberating on such a major change to a long-held public policy precedent in Maryland and beyond.

Thank you for the opportunity to express our collective opinion on House Bill 0867. We look forward to further discussions of this proposal.

Respectfully submitted on behalf of:

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