

Opposition to SB 1041



February 23, 2024

Re: SB 1041, An Act Providing For the Direct Shipment of Beer and Spirits to Maryland Consumers.

Chair Beidle and Members of the Senate Finance Committee,

The Wine and Spirits Wholesalers of America¹ (WSWA), whose eight Maryland members distribute more than 90% of all the wine and spirits in this state, respectfully submit these comments in opposition to SB 1041, which would permit brewers and distillers from across the country to ship beer and spirits directly to Marylanders' doorsteps.

Spirit DTC Expansion is a Myth

It must be stated that there is not a nationwide desire of state legislatures to permit DTC spirits legislation. Currently, only five states and D.C. authorize spirits to be shipped directly from producers to consumers. Since 2020, only one state – Kentucky – has enacted spirits shipping legislation.

SB 1041 would harm Maryland's brewers, distillers, and retailers.

SB 1041 would harm, not benefit, Maryland's local brewers and distillers as the online market will be dominated by large, out-of-state manufacturers that have the infrastructure and funds to afford national marketing and shipping.

While proponents purport that the bill is limited to small distillers and brewers, the production level proposed in the bill includes the overwhelming majority of our nation's brewers and distillers - only increasing competition for Maryland owned businesses.

Enacting direct-to-consumer (DTC) alcohol shipping will circumvent Maryland's wholesalers and retailers, place significant strain on local businesses, and cause an estimated loss of 265 jobs and over \$13.6 million in wages across Maryland².

¹ WSWA is the trade association that represents wine and spirits wholesalers large and small across America. Founded in 1943, WSWA includes more than 350 member companies in 50 states and the District of Columbia. Our members distribute more than 80% of all wines and spirits sold at wholesale in the United States. Across the country, wholesalers employ approximately 87,000 people who receive nearly \$7.5 billion in wages annually.

² <https://www.wswa.org/news/1-4-adults-who-purchase-alcohol-through-online-vendors-or-directly-manufacturers-do-not-get>

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SB 1041 would increase the risk of underage access and force an unfunded mandate.

DTC shipments have been shown – on multiple occasions³ – to increase the likelihood of underage access as there is little to no oversight of the final delivery by the common carrier. A [recent DTC sting operation](#) conducted by the Vermont Department of Liquor and Lottery (DLL) found that:

- No purchase was delivered completely lawfully.
- Two deliveries were made to a minor without the age verification.
- Recipients were only carded 20 percent of the time upon delivery by a common carrier.
- Only half were shipped by a licensed entity and, of those licensed entities, only 20 percent reported shipments to DLL resulting in potential tax loss.

The report found that not only is DTC shipping “significantly underregulated”, but that it would also take “significant investment to properly regulate DTC and ensure public safety”. “The cost of a comprehensive [enforcement] program would be extremely expensive for any widespread application. The Department does not currently have the resources to regulate the currently licensed activity [wine DTC shipping].”

These results correlate with an [economic analysis](#) undertaken by WSWA estimating:

- It would cost Maryland over \$2 million to properly enforce alcohol DTC shipping.
- Enactment of DTC shipping significantly reduces state and local taxes.

It is clear that expanding DTC alcohol shipments will not only dismantle the strong public health and safety regulations in place in Maryland but will do so to benefit the few adults⁴ who prefer the method as a way to purchase alcohol.

We respectfully request that you present an unfavorable report on SB 1041.

Sincerely,



Colin Phillips

Manager, State Affairs

Wine & Spirits Wholesalers of America

³ See additional examples from [Kansas](#), [Massachusetts](#), and [Vermont](#).

⁴ <https://www.wswa.org/news/1-4-adults-who-purchase-alcohol-through-online-vendors-or-directly-manufacturers-do-not-get>