

Support of HB 663: Equalizing the Tax Burden for Maryland's Distilleries

As a dedicated board member of Tenth Ward Distilling Company, I am reaching out to express our strong support for HB 663, a bill that seeks to rectify the current disparity in the alcohol excise tax rates that significantly disadvantage Maryland's distilleries compared to our brewery and winery counterparts. Currently, distilleries are subject to a tax rate of \$1.50 per gallon, while wineries are taxed at \$0.40 per gallon, and breweries at a mere \$0.09 per gallon. This discrepancy not only places an undue financial burden on distilleries, but also stifles innovation and competitiveness within the craft beverage industry.

The argument that spirits are taxed higher due to their stronger alcohol content does not hold when we consider the actual alcohol content in different types of beverages. Let us examine the math to illustrate this point:

- A 16-ounce can of 12% ABV (Alcohol by Volume) IPA beer contains 1.92 ounces of pure alcohol.
- In contrast, a 7% ABV canned cocktail in an 8.4-ounce can contains 0.588 ounces of pure alcohol.

This comparison clearly demonstrates that a consumer can ingest more alcohol from a single can of high-ABV beer than from a canned cocktail, challenging the notion that spirits inherently result in stronger drinks and, by extension, should be taxed more heavily.

Maintaining the current disparate tax rates based on the assumption that spirits are more potent sets a dangerous precedent. It implies that malt and wine beverages are somehow safer to consume than canned cocktails, which is a misleading and unfounded distinction. Such a policy does not accurately reflect the diversity and innovation within the craft beverage sector, where product offerings are tailored to meet consumer demand for variety and quality, rather than simply alcohol content.

For Tenth Ward, the impact of the current tax disparity is profound. Our venture into producing canned cocktails has been driven by market demand and a desire to innovate. However, the excessive tax burden severely restricts our ability to operate profitably in this segment. With such a small margin for producing canned cocktails, we sometimes even face losses. Adjusting the tax rate to \$0.40 per gallon, in line with wineries, would not only level the playing field but also enable us to generate profit, adjust prices competitively against large mainstream brands, and continue contributing positively to Maryland's economy.

Equalizing the tax rate for distilleries is not merely a matter of financial relief; it is a step towards fostering a fair, competitive, and diverse craft beverage industry in Maryland. By supporting HB 663, you will be championing small businesses, promoting innovation, and ensuring that all segments of our industry have the opportunity to thrive.

I urge you to consider the implications of the current tax structure and support HB 663 for the benefit of Maryland's distilleries and the broader alcohol industry. We are committed to engaging in further discussions and providing additional information as needed to support this important legislation.

Thank you for your time and consideration.

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