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Re: TESTIMONY IN SUPPORT OF HB 663 (Alcoholic Beverages Tax – Ready to Drink Cocktails)

Maryland General Assembly Ways & Means Committee
Honorable Vanessa E. Atterbeary, Chair

Dear Chair Atterbeary and Members of the Ways & Means Committee:

Diageo North America is contacting you in support of HB 663. Diageo North America is the leading premium drinks business and one of the best-performing consumer packaged goods companies across the United States and Canada. Our 200 plus brands are enjoyed across our market and include some of the world’s oldest and best loved brands, such as Johnnie Walker, Ketel One, Captain Morgan, Crown Royal, Bulleit, Don Julio, and Guinness. As you are aware, we own and operate Guinness Open Gate Brewery in Baltimore County, where we brew multiple varieties of Guinness, including Baltimore Blonde for on-site consumption.

Diageo commends the legislature for this discussion and welcomes the opportunity to discuss the excise tax on spirit-based and malt-based beverages. State excise tax rates for alcoholic beverages in Maryland are \$1.50 per gallon for distilled spirits, 40 cents per gallon for wine, and 9 cents per gallon for beer. The State’s 9% sales tax is also imposed on the sale of alcoholic beverages.

The Ready-To-Drink (RTD) category has grown significantly over the past several years as adult consumers are looking to recreate the cocktail experience with convenient, premixed cocktails made with premium spirits, fresh ingredients, and low alcohol by volume (ABV). 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 ABV. For example: Our 12 ounce, 4.5% ABV Ketel One Botanical RTD product has an excise tax of 14 cents whereas a 12 ounce, 5% ABV malt-based White Claw has an excise tax of a penny. This dramatic tax difference on products with approximately the same amount of ABV has created an unfair marketplace.

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

In closing, we believe Maryland should modernize its alcohol excise tax rates to reflect the changing and innovative marketplace by enacting HB663. Thank you for your consideration and we look forward to continuing this discussion with you. Please don’t hesitate to contact us for further information.