



# ATCC

Alcohol, Tobacco, and Cannabis Commission

Wes Moore  
Governor

Aruna K. Miller  
Lt. Governor

Jeffrey A. Kelly  
Executive Director

February 17, 2026

**BILL: HB736 - Alcoholic Beverage Tax - Ready-to-Drink Cocktails**  
**COMMITTEE: Ways and Means**  
**POSITION: Letter of Information**

**Re: HB0736 - Alcoholic Beverage Tax - Ready-to-Drink Cocktails - Letter of Information**

Dear Chair Wilkins and Members of the House Ways and Means Committee:

**I write on behalf of the Alcohol, Tobacco, and Cannabis Commission to provide this Letter of Information to the Ways and Means Committee on the potential fiscal impacts of HB0736 - Alcoholic Beverage Tax - Ready-to-Drink Cocktails.**

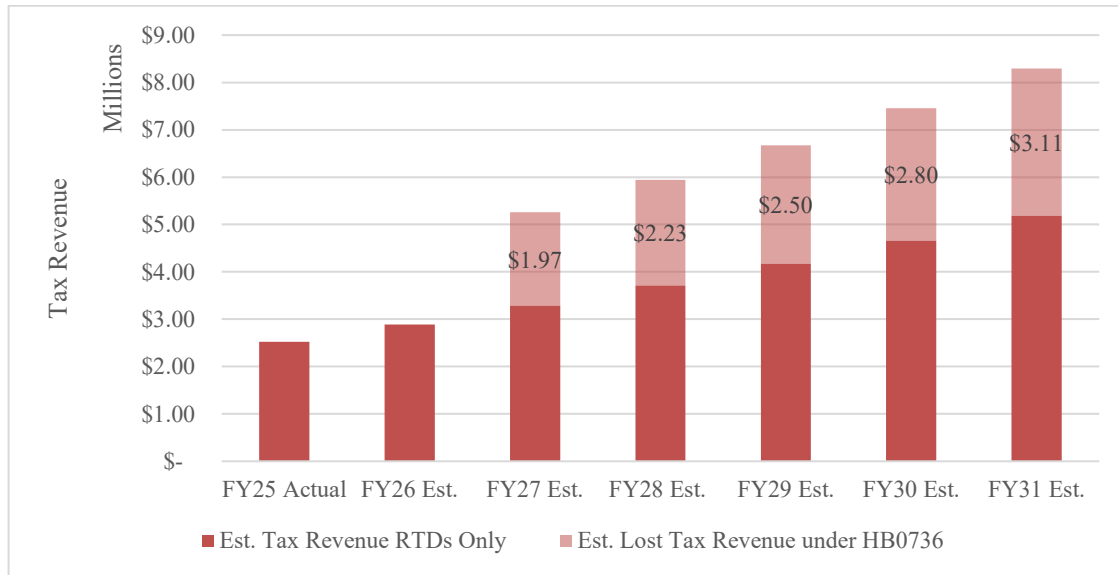
The ATCC was previously asked by the General Assembly to study the impact of a Ready-to-drink Cocktail (RTD) tax rate change may have on the State's revenue. The 2022 Joint Chairman's Report tasked the ATCC with a study related to a similar proposed tax rate change, which directed the agency to review the tax rates for these beverages in other states and their impact on the revenue of those States. [This study may be found on the DLS Library's website.](#) In particular, the ATCC found that revenue decreased following implementation of these rate reductions in the States with available data. Revenue data was available from Michigan and Nebraska, each of which adopted a lower tax rate for RTD spirits. The ATCC's analysis concluded that by lowering the tax rate on these beverages Michigan and Nebraska failed to realize \$2.6 million and \$1.8 million in tax revenue respectively, based on a projection of what their revenue would have been had the tax rate not been reduced.

HB0736 as introduced imposes a slightly higher tax rate for RTD spirits than previous versions that were studied by the ATCC (\$0.60 as introduced compared to \$0.40 under prior iterations). However, mechanically, the ATCC would still anticipate revenue underattainment with the passage of HB0736. Under current law, spirits-based RTD cocktails are taxed at \$1.50 per gallon with other distilled spirits. Marylanders already enjoy some of the lowest wholesale tax rates in the nation for this category, generally. Some share of the current distilled spirits category manufactured or sold in the State would be subject to this lower tax rate, representing a \$0.90 tax revenue underattainment for each gallon of spirits-based RTDs. The ATCC does not have the current tools or reporting requirements of the alcoholic beverages industry to understand what share of all distilled spirits would be subjected to a lower tax rate.

For reference, in fiscal 2025, total gross receipts for distilled spirits were over \$25.2 million, or roughly 16.8 million gallons taxed at \$1.50 per gallon. This figure is

inclusive of spirits produced by Maryland manufactures and by out-of-state distilleries. When last reviewed as part of the 2022 JCR report, the RTD category was estimated to be 7% of the distilled spirits market. Nationally, this category has increased over the years, and the ATCC would expect this to be a higher share currently, potentially surpassing 10% of total distilled spirits.

Advocates for tax reduction on RTDs assert that overall growth in the category will offset the loss of tax revenue. Industry publications show that there has been growth in this category - however the spirits-based RTD category would need to expand *significantly*, to fully offset revenue underattainment shown in the exhibit below.



As shown, HB0736, given the reduction in the tax rate for these beverages would reduce the amount of tax revenue the State would otherwise be able to obtain. The tax rate is reduced by 2.5 from the baseline for distilled spirits, and therefore the sales of spirits-based RTDs would need to increase by 250% in total volume to account for the anticipated revenue shortfalls under HB0736. While it is likely that a change in the tax rate *could* increase overall sales of spirits-based RTDs above baseline, this scale of increase is probably unlikely without other market expansion. However, if the spirits-based RTD category grows at the expense of, or without a corresponding increase in the distilled spirits category as a whole, the above estimates are likely *understating* revenue loss.

In addition to the revenue effects, this bill may impact trade practices and regulation. The definitions used in the Tax - General Article, particularly that of distilled spirits, are cross referenced in the Alcoholic Beverages & Cannabis Article (“AB&C”) and used to identify what licenses and permits are needed to produce or sell specific beverages. The bill may create some uncertainty in the marketplace about whether these RTD beverages remain within the definition of “distilled spirits” or are now separate from it.

The definition in the bill may also be interpreted to encompass certain “flavored malt beverages” and wine-based beverages (such as “wine coolers” or fortified wines) that contain distilled alcohol. These beverages are taxed and treated as beer or wine respectively, based on the majority component of their ingredients. The bill may therefore create an increased need for oversight and education by the ATCC and other regulators to ensure businesses are applying the appropriate tax rate and are selling only products authorized under their particular license.

**On behalf of the ATCC, we would like to thank the committee for their time and consideration of the ATCC’s Letter of Information regarding the potential fiscal impacts of HB0736 - Alcoholic Beverage Tax - Ready-to-Drink Cocktails.**

I am available to answer any questions or concerns that you may have related to this Letter of Information on this piece of legislation.

Respectfully submitted,

A handwritten signature in black ink that reads "JA Kelly". The signature is written in a cursive, flowing style.

Jeffrey A. Kelly  
Executive Director  
Alcohol, Tobacco, and Cannabis Commission of Maryland