



February 17, 2026

Hon. Jheanelle K. Wilkins, Chair  
Hon. Jessica Feldmark, Vice Chair  
Maryland House Ways and Means Committee  
Room 131  
House Office Building  
Annapolis, Maryland 21401

Dear Delegate Wilkins and Delegate Feldmark:

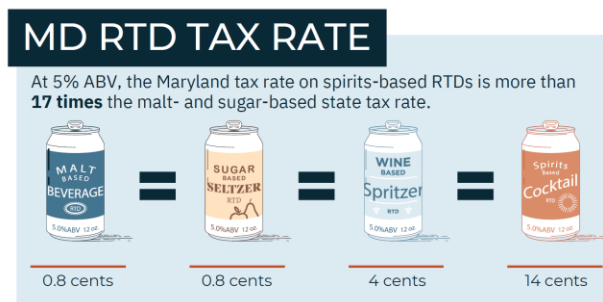
This letter is submitted on behalf of the Distilled Spirits Council of the United States (DISCUS), a national trade association representing producers and marketers of distilled spirits sold in the United States, in support of HB 736, entitled “Alcoholic Beverage Tax - Ready-to-Drink Cocktails.”

As you know, HB 736 seeks to set the state excise tax rate for low-alcohol, spirits-based ready-to-drink (RTD) products at \$0.60 cents for each gallon or \$0.1585 cents for each liter.

There has been tremendous innovation and transformation in the ready-to-drink category over the past several years originating from large and small beer, wine and spirits producers. In today’s marketplace, consumers can choose from malt-based hard seltzers, wine-based flavored spritzers or canned/pre-mixed cocktails produced with distilled spirits.

In 2025, there were approximately 86 million cases of spirits-based RTDs sold in the United States. Based on the trajectory from other countries, the U.S. market is expected to grow to more than 200 million cases benefiting consumers and state coffers if there is fair and equitable taxation.

Adult consumers continue to choose distilled spirits RTDs because of their convenience, premium spirits, fresh ingredients and low ABV.



Unfortunately, Maryland spirits consumers are forced to pay much higher taxes for a spirits-based RTD product even if the product has the exact same or similar ABV as a malt-, sugar- or wine-based RTD. For example, at 5% ABV, the Maryland tax rate on spirits-based RTDs is **17 times** the malt- and sugar-based state tax rate (\$0.008 per 12 ounce can for malt-based vs. \$0.14 per 12 ounce can for spirits-based).

HB 736 proposes a 50% higher tax rate for spirits-based RTDs compared to the 2024 legislation that was considered in this committee previously. The \$0.60/gallon tax rate is still 1.5 times higher than the excise tax on wine and almost 7 times higher than the beer excise tax rate. We are not looking for equal tax rates, but we are asking for a more fair tax structure for products of similar ABV.

This excessive tax burden is also a steep hurdle for any Maryland small distiller that may want to enter this growing category. In fact, according to a survey of craft distillers, 62 percent of those not currently producing RTD products cited higher tax rates as a barrier to entering the market.

Maryland is one of many states taking a closer look at the issues that prevent consumers from having equal access to spirits-based RTD products in the marketplace and working to ensure those products are being taxed fairly to support consumers and small businesses in their communities. Providing lower tax rates for lower alcohol content products is not a new idea. Twenty-five states already have lower tax rates for lower-abv spirits-based products.

You may hear “reasons” why a lower tax rate should not be granted to spirits-based RTD products, none of which hold up under scrutiny.

- 1) Distilled spirits are not “harder” than beer or wine. The [Maryland Department of Health](#) recognizes this fact: “\*Standard drink = 12 oz beer, 5 oz wine, 1.5 oz liquor.”

It does not matter what beverage alcohol is consumed. There is just as much alcohol in the standard serving of beer as there is in the standard drink of whiskey or wine.

- 2) Assertions that the proposed tax rate might lead to a decline in state tax revenues is incomplete. In addition to the volume-based excise tax, Maryland assesses a 9% sales tax on alcohol. The fiscal note of the bill fails to consider the higher sales tax generated by spirits-based RTDs. Additionally, as the competitiveness of spirits-based RTDs grows with a lower excise tax rate, they are likely to supplant beer, which is taxed at a considerably lower rate. As spirits-based RTDs capture a greater share of the market at the expense of beer, the state would still collect \$0.60 per gallon in excise taxes instead of \$0.09. Moreover, it would generate between \$5.21 and \$7.61 in sales taxes per case rather than \$2.7 per case on beer. Our economic analysis indicates that the Maryland Treasury would realize more than \$5.1 million in new tax revenue from this category within the next 3 to 5 years based on the new excise tax and Maryland’s current 9% sales tax rate. Adjusting the tax on these low alcohol products will only increase jobs in Maryland’s spirits industry, which today supports more than 30,000 Maryland jobs and \$1.06 billion in wages.
- 3) Opponents of fairer tax treatment for spirits-based RTDs often point to a flawed 2022 study by Public Sector Consultants (PSC). While the researchers would not divulge the funders of the study or provide the underlying data, a review by the DISCUS economist

concludes the research is seriously flawed and lacks credibility for the following key reasons:

- This analysis inappropriately compares two moments in time. Comparing the average price of spirits-based RTDs from 2017 to 2022 is unsound, since the majority of the spirits RTD brands available today were not available in the marketplace in 2017. In order to accurately calculate the price increase, the researchers should compare the prices of the same items over a specified period.
- PSC's claim that the average national price of spirits-based RTDs went up 67 percent from \$5.70 in January 2021 to \$9.52 in August 2022 is not credible. One of the largest spirits retailers in the nation, the Pennsylvania Liquor Control Board, does not show price increases anywhere close to the increases in this analysis.

Put simply, there is no beverage of moderation, only the practice of moderation. To suggest by statement or policy that some forms of alcohol are "softer" or "safer" than others sends a dangerous message when science has long recognized that standard servings of distilled spirits, beer and wine contain the same amount of alcohol. This is a critical aspect of responsible consumption.

The spirits industry has been leading beverage alcohol product innovation for nearly two decades. Today, it is a major contributor to the state of Maryland, generating nearly \$3.4 billion in economic activity and \$339 million to local communities and the state in taxes. Adoption of HB 736 will continue to support this growth and expand upon the thousands of industry jobs across the state.

We believe this commonsense legislation will create a more level playing field for spirits-based RTDs with other RTDs made from other types of alcohol with the same or similar alcohol content, which is good for consumers and producers alike.

In our view, there is no public policy rationale for maintaining policies that stifle innovation and prevent competition. In fact, we think policies should foster both innovation and competition, and then let consumers decide.

Thank you for your consideration.

Sincerely,



Emily Smith  
Vice President of State Public Policy

cc: Members of the Maryland Ways & Means Committee