



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

February 19, 2021

Hon. Dereck Davis, Chairman
Maryland House Economic Matters Committee
Room 231
Maryland House Office Building
Annapolis, Maryland 21401

Dear Representative Davis:

This testimony is submitted on behalf of the Distilled Spirits Council of the United States, a national trade association representing producers and marketers of distilled spirits and importers of wines sold in the United States in opposition to HB0996, entitled "*An Act Concerning Alcoholic Beverages – Class A Licenses – Retail Grocery Establishments.*" As you know, this proposed legislation would allow certain grocery stores to be granted a beer or a beer and wine license as long as they meet various requirements.

Allowing grocery stores to sell beer and wine would have a negative impact on Maryland liquor stores, forcing many of them out of business. Beer and wine sales in grocery stores would merely transfer business from one licensee to another licensee and not generate new sales. It would, however, negatively impact the sales of spirits. As foot traffic in Maryland liquor stores is reduced, fewer people will purchase spirits when they can easily buy beer and wine in grocery stores. Between lost wine and spirits sales, the average package store would lose a substantial portion of their total annual revenue.

In Tennessee, which made a similar change in 2016, package stores sales went down over 9%, spirits volumes declined approximately 4.5% lower than they otherwise would have been and the state lost roughly \$3.6 million in tax revenue. We project Maryland would realize similar negative effects because the spirits excise tax rate is so much higher than the wine tax rate (\$5.40/gallon versus only \$0.72/gallon). Thus, any policy that favors beer and wine sales locations over spirits is simply not a good business proposition for the state treasury.

In these propositions, there is often the promise of not just new revenue but new jobs. We suggest this is also faulty. Grocery stores have sufficient staff to stock shelves; selling beer or wine would not result in a hiring boom. However, job losses in liquor stores would occur as a natural economic impact – when sales go down that lost revenue must be made up and spending reductions would come in the form of fewer employees. Additionally, national experience indicates that grocery stores, which would allocate limited shelf space to the beer or wine category would carry the top-selling national beer and wine brand stock keeping units (SKUs).

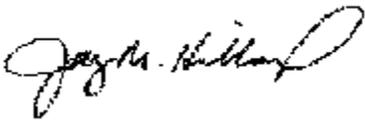
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It is dubious at best that grocery store sales of beer and wine would provide any long-term benefits for Maryland in increased sales, job creation or tax collection but the harm to package stores and the state in the form of lost sales, job reductions and lower tax collection is almost assured.

I have attached an economic analysis that furthers details our concerns.

We appreciate your consideration of our views regarding HB996. Should you have any questions, please don't hesitate to contact me by telephone at 207-831-8285, by email at jay.hibbard@distilledspirits.org or our Maryland counsel, Hannah Garagiola.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay M. Hibbard". The signature is cursive and somewhat stylized, with a large loop at the end.

Jay M. Hibbard
Senior Vice President State Public Policy

cc: Members of the Maryland House Economic Matters Committee