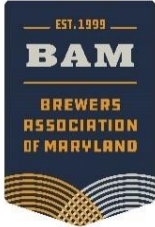




BOSTON BEER co.
ESTD. 1984



Constellation Brands
BEER DIVISION

HEINEKEN



MARK ANTHONY BRANDS

NBWA
AMERICA'S BEER & BEVERAGE DISTRIBUTORS



MOLSON COORS beverage company

March 9, 2022

The Senate Budget and Taxation Committee

The Honorable Guy Guzzone— Chair

The Honorable Jim Rosapepe – Vice-Chair

Members of the Budget and Taxation Committee

SENT VIA ELECTRONIC MAIL

Dear Committee Members:

Today, we write to oppose Senate Bill 793, a proposal to reduce the tax rate on canned cocktails made with hard liquor. We represent brewers of all sizes in the State of Maryland and the wholesalers who distribute beer products across the state.

The proposal lowers the excise tax rate for hard liquor-based canned cocktails in Maryland by 73 percent and will result in a loss to the state treasury of more than \$15 million over the next five years, according to the fiscal note. Current alcohol industry data and sales trends estimate an even higher loss of more than \$21 million over the next five years. Despite the liquor industry's assurances that the lost tax revenue will be made up and new revenue will be brought in by taking share from beer and hard seltzer, current alcohol industry data show the opposite. Approximately 70 percent of canned cocktail drinkers are coming from other alcoholic beverages and are not switching from beer or seltzer.

As Maryland continues to recover from the COVID-19 pandemic, it is questionable as to how a deep tax cut to liquor benefits the local economy and job creators. Maryland businesses and workers need all the help they can get as they struggle to recover from the pandemic, especially in the face of unprecedented inflation. The hospitality sector lost millions of jobs during the pandemic, and in 2020 alone, more than 550,000 jobs were lost in the beer industry. Will liquor companies lower their prices for consumers? Will

the tax cut get passed on to the hospitality industry that so desperately needs help rebuilding? The liquor industry recorded a massive \$3.8 billion in revenue last year. The CEO of Beam Suntory, the maker of Jim Beam and other spirits, said in a recent interview that “ready to drink [canned cocktails] generate cash.”^[1] This does not seem like an industry that needs a tax cut at this time.

Maryland ranks 24th in the country in the number of craft breweries. Brewers and beer distributors, many of them family-owned businesses, are important economic contributors with distribution companies throughout the state. The beer industry accounts for \$4.5 billion in economic contributions to the state and creates more than 31,000 jobs for Maryland families. More than \$224 million in state and local taxes are generated from the consumption of beer. In addition, another \$327 million in business and personal taxes are paid to the state and local communities because of beer. Hard liquor simply does not have the same economic impact that our local beer industry does, and a lowering of the excise tax rate for these products gives an unfair tax advantage to an industry dominated primarily by out-of-state companies.

Additionally, this legislation undermines the public safety risks associated with liquor. Beer has long been recognized as the beverage of moderation, and policymakers and the public understand that beer and liquor are very different products. Hard liquor says they’re for responsible drinking, but their 40-year campaign to put beer and liquor on the same shelf would suggest otherwise. Consumers know a vodka martini is different than a beer. The average ABV of a beer is just below 5 percent. The average ABV of a hard liquor drink is more than 36 percent. It seems as though liquor companies are using canned cocktails to push for a tax rate that significantly downplays the differences between beer and liquor. This directly undermines the responsible drinking campaigns that hard liquor claims to support.

We urge the Committee to oppose this legislation. Hard-earned Maryland taxpayer dollars could be spent on more critical issues facing our state rather than giving a handout to hard liquor.

Thank you for the opportunity to express our collective opinion on Senate Bill 793.

Respectfully submitted on behalf of:

Anheuser-Busch
Beer Institute
Boston Beer Company
Brewers Association
Brewers Association of Maryland
Constellation Brands Beer Division
HEINEKEN USA
Mark Anthony Brands, Inc.
Maryland Beer Wholesalers Association
Molson Coors Beverage Company
National Beer Wholesalers Association

[1] Lucas, A. (2022, February 21) Beam Suntory sales rise 11%, as shift to high end spirits pays off. CNBC. <https://www.cnbc.com/2022/02/21/beam-suntory-sales-rise-11percent-in-2021-fueled-by-shift-to-high-end-spirits.html>

