



Mission: To improve public health in Maryland through education and advocacy *Vision:* Healthy Marylanders living in Healthy Communities

SB 793 Alcoholic Beverage Tax – Ready-to-Drink Cocktails

Hearing Date: 3/10/22

Committee: Budget and Taxation

Position: Opposed

Thank you, Chair Guzzone, Vice-chair Rosapepe, and members of the Budget and Taxation Committee for holding this hearing on SB 793, a bill which lowers the tax on distilled spirits-based ready-to-drink (RTD) cocktails to 40 cents/gallon. The Maryland Public Health Association's Alcohol, Tobacco & Cannabis Network offers testimony in opposition to this bill.

As determined by the Centers for Disease Control and Prevention (CDC), excessive drinking of alcohol costs states \$249 billion per year, 40% of which is borne by federal and state governments.¹ In Maryland, excessive alcohol use costs us about \$5 billion annually, while we collect about \$310 million in taxes. Analyses have found that the combined federal and state average tax per drink here in Maryland is \$0.19 a drink, while the cost of excessive drinking is \$2.22 a drink.² We are already operating at a deficit in terms of costs to society and costs to government from alcohol-related harm, so decreases in any alcohol taxes are not supported or advisable.

Distilled spirits are taxed at a higher rate than wine and beer, and RTDs are specifically made with distilled spirits, placing them in that category. The alcohol by volume (ABV) is not the only consideration for these categories, it is also the production process and ingredients. Flavored malt beverages (FMBs) are generally fruity and fizzy, hence the nickname "alcopops" (think Mike's Hard Lemonade or Four Loko). These are taxed as beer, due to an industry process that essentially starts with making beer, extracting the beer flavor, and then adding flavorings. It is not based on the alcohol content of the products. While many of the RTDs are also fizzy and fruity, they are produced from spirits (think Jack Daniels Whiskey & Cola, Ketal One Vodka Spritz or Cutwater Tiki Rum Mai Tai).^a

If a decision is made to tax these based on ABV, rather than the production process and ingredients, that we submit that products like Four Loko and Joose, which can be up to 11-12% alcohol in 23oz containers also be taxed at a higher level. These are single serve containers with up to the amount of alcohol found in an entire bottle of wine.

There are broader impacts on access by underage youth; a primary objective for public health is to delay initiation of alcohol by youth as long as possible to reduce the long term risks of addiction and misuse.³ Importantly, underage youth have different preferences for alcohol products than adults. One major difference appears to be the appeal of alcopops. In 2020,

^a <https://bevalcinsights.com/drizlys-top-5-rtd-cocktail-flavors/>

one-half of underage drinkers reported drinking alcopops in the past 30 days.⁴ Moreover, the sugary flavorings in alcopops mask the bitter taste of alcohol, thereby facilitating youth consumption of alcohol.^{5,6}

We also find the max ABV cap and container type and size listed for this beverage problematic. A 12% ABV beverage in a 12oz can (generally considered a single serving size) is equivalent to 2.4 standard servings of alcohol. Bottles of wine and distilled spirits are generally sold in multi-serving containers with corks and screw tops. Without any nutrition labels, a can implies a single serving.

In legislation passed in 2019, the Alcohol and Tobacco Commission was tasked with “the development of a public health impact statement for all changes to the state alcoholic beverages law...”. A statewide bill like this should be subject to such a statement to scientifically evaluate the impact on youth access, businesses, communities, and public health and safety.

We urge an unfavorable report on SB 793.

The Maryland Public Health Association (MdPHA) is a nonprofit, statewide organization of public health professionals dedicated to improving the lives of all Marylanders through education, advocacy, and collaboration. We support public policies consistent with our vision of healthy Marylanders living in healthy, equitable, communities. MdPHA is the state affiliate of the American Public Health Association, a nearly 145-year-old professional organization dedicated to improving population health and reducing the health disparities that plague our state and our nation.

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