



Ready-to-Drink Liquor & Equivalence Principles

The Brewers Association (BA) believes there are fundamental distinctions between beer and liquor, and that these distinctions underpin how these beverages are regulated and taxed historically. We believe that rewarding foreign companies with tax breaks on products sold in America is misguided, thereby reducing resources for other legislative priorities to benefit companies already seeing record profits. A current example involves liquor-based ready-to-drink (RTD) beverages, with the Distilled Spirits Council of the United States (DISCUS) reporting that the RTD and pre-mixed cocktail category grew an astounding 56 percent from 23.5 million cases sold in 2020 to 36.6 million in 2021.

Seeking to “equalize” taxes and other regulations between liquor and beer creates an uneven cost structure, limiting shelf and cold box space and jeopardizing small and independent brewing jobs. Why should policy makers extend tax breaks to foreign-based producers who have no local footprint, at the expense of jobs at home? Craft beer, a beverage of moderation, is time and labor intensive to create, leading to more jobs in more communities. Contrast that with most of the finished RTD products on store shelves today, which are “produced” by simply mixing and packing bulk liquor made or purchased very cheaply and in great quantities by a handful of giant producers.

Liquor RTDs are just the first part of a long-term strategy to earn equivalence for full strength liquor in taxation and on grocery and convenience store shelves. Many of these RTDs are branded with familiar names: Cuervo, Beam, Tanqueray, and Bacardi. This is a Trojan horse effort to gain market share by disturbing longstanding and successful policies differentiating beer from liquor. Indeed, liquor companies know how to, and in many cases do, produce beer-based products. Making liquor based RTD products is a choice, presumably made because their producers want to market and sell liquor or because they seek to expand branding occasions for their full-strength products.

These massive corporations are also seeking taxation changes – attempting to bring their liquor-based cocktails to a lower tax rate like beer has had for decades – skirting the rules to bump up their market share and get an undeserved tax break from states. It seems they want the marketing halo of a “premium” product using real liquor but don’t want to pay the “premium” tax. The proof of this can be found in liquor RTD

marketing campaigns, which brag about using “real vodka” to differentiate such products.¹ Indeed, one producer that now touts “real vodka” in its liquor RTD conceived of the brand as a full-strength vodka.²

In Nebraska and Michigan, both states where the tax rate for these low-ABV spirits-based cocktails was lowered out of a sense of fairness to the consumer, the savings were not passed along. In fact, prices for these products went up, meaning the companies making these RTDs profited twice on the same product.

Common sense recognizes that alcohol policy should not ignore the real differences between beer and liquor. While some RTDs may have modest alcohol strength and a few beers may approximate the strength of wine, those are the exceptions that prove the rule: The average liquor product sold in the U.S. today contains 37% alcohol by volume (74 degrees proof). In contrast, the average beer product sold in the U.S. contains approximately 4.5% alcohol by volume.³

Bottom line, states across the country are saying no to tax equivalence for these beverages. Those manufacturing RTDs are doing fine without additional subsidies. Moreover, a tax cut will harm state revenues, jeopardize jobs in the brewing and beer distributing sectors, all to represent a tax giveaway to mostly foreign corporations who have no local footprint.

9,200 small and independent brewers across the country urge you to vote no on this harmful legislation.

¹ See *High Noon cracks open biggest marketing effort as canned cocktail competition heats up*, available at <https://www.thedrum.com/news/2022/05/23/high-noon-cracks-open-biggest-marketing-effort-canned-cocktail-competition-heats-up> (last visited September 15, 2022).

² See *The Untold Truth of High Noon*, available at <https://www.mashed.com/948202/the-untold-truth-of-high-noon/> (last visited September 15, 2022).

³ See Live Science, *How Much Alcohol is in My Drink*, available at <https://www.livescience.com/32735-how-much-alcohol-is-in-my-drink.html> (last visited September 15, 2022).

