

Understanding the Differences Between Alcohol Beverage Products

The Issue: In 2020, Congress reinforced the longstanding principle that beer, wine and liquor should be taxed differently. These lines of distinction follow consensus public health and policy principles regarding alcohol.

Some liquor manufacturers are now attempting to blur these lines by:

- Proposing a lower tax rate for liquor-based beverages sold in a can.
- Seeking to expand the substitution drawback of excise taxes paid on imported alcohol to additional liquor-based products.

Why It Matters:

Public Health Consensus

- Congress has long recognized that liquor is not the same as beer. The average alcohol by volume (ABV) of liquor (distilled spirits) is approximately 40%, while the average ABV of beer is approximately 5%. It has been proven that liquor products with a higher alcohol concentration level can cause a greater degree of intoxication at a faster rate.

Maintaining Policy Definitions

- A cocktail served at a bar and a cocktail packaged in a can are both liquor-based and the packaging should not change the federal tax rate.

Competitive Fairness

- Existing federal tax policy already offers significant support to liquor manufacturers and contributes to a vibrant spirits industry. Even as liquor's market share continues to grow, its effective tax rate is significantly reduced by government credits and refunds that exist in current tax law. Congress should avoid further attempts by some in the spirits industry to expand liquor tax advantages.

WE ENCOURAGE CONGRESS TO:

- ✓ **Oppose** the Duty Drawback Clarification Act (H.R. 4073/S. 1781), which would allow certain liquor producers to further lower their effective tax rate by expanding the substitution drawback program.
- ✓ Maintain federal alcohol policy that reflects the differences between alcohol beverage products.
- ✓ Continue to make health a top priority when debating federal alcohol policy, including restricting underage access, preventing adulterated or contaminated products from entering the marketplace and promoting responsible consumption.