



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
BUREAU OF ALCOHOLIC BEVERAGES AND LOTTERY OPERATIONS

8 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0008

KIRSTEN LC FIGUEROA
COMMISSIONER

JANET T. MILLS
GOVERNOR

LOUIS J. LUCHINI
DIRECTOR

May 7, 2025

Testimony of the Bureau of Alcoholic Beverages and Lottery Operations
Joint Standing Committee on Veterans and Legal Affairs

In opposition to LD 1855

An Act to Impose an Excise Tax on Spirits-based Cocktails Containing No More than 12 Percent Alcohol

Senator Hickman, Representative Supica, and members of the Joint Standing Committee on Veterans and Legal Affairs: my name is Louis Luchini and I'm the Director of the Bureau of Alcoholic Beverages and Lottery Operations. We appreciate the opportunity to submit testimony in opposition to LD 1855, *An Act to Impose an Excise Tax on Spirits-based Cocktails Containing No More than 12 Percent Alcohol*.

As the committee has discussed this session, the definition of "low-alcohol spirits product" under 28-A MRS §2(16-A) "means a product containing spirits that has more than 1/2 of 1% of alcohol by volume but no more than 8% of alcohol by volume."

Under current law, spirits products with over 8% alcohol by volume (ABV) flow through the State's wholesale distribution system and are assessed a premium tax. Low-alcohol spirits products flow through the private beer and wine distribution channel and are assessed an excise tax.

We oppose LD 1855 for multiple reasons. The bill creates a new definition of "spirits-based cocktail" as an "alcoholic beverage containing spirits that has no more than 12% alcohol by volume". As drafted, we believe this new definition directly conflicts with the existing definition of low-alcohol spirits product. It's unclear if products currently considered a low alcohol spirits product would fall under this new category of "spirits-based cocktail". Further, it's unclear who would distribute this new product category – the State or the private distribution system.

Under current law, low-alcohol spirits products pay an excise tax of \$1.24 per gallon (required by 28-A MRS §1652(1-A)). In addition, there is also a low-alcohol spirits products tax of 30¢ per gallon (required by 28-A MRS §1365), paid either by the Maine manufacturer or the out-of-state manufacturer when selling the products to a wholesale licensee.

As drafted, this bill establishes a new excise tax rate of 60¢ for spirits-based cocktails. The ambiguous definition of spirits-based cocktail makes it unclear which products would pay this new excise tax rate, and which products would pay the low-alcohol spirits excise and manufacturing taxes.

We understand the desire to lower the tax rate on ready-to-drink cocktails. A potential option for the committee to consider is to maintain the current definition of low-alcohol spirits product and eliminate the low-alcohol spirits products tax of 30¢ per gallon. As usual, this will have a fiscal impact which could be negotiated in the context of supplemental budgets or the appropriations table.

Lastly, this bill conflicts in multiple ways with another bill voted by the VLA Committee this session, LD 1376, which creates a new category of “spirits cocktail product” for spirits-based products with an ABV between 8% and 15%. LD 1376 moves these products from the State wholesale distribution system to the beer and wine wholesalers, while also removing the ability of reselling agency stores to sell these products to on-premises licensees. Instead, only the beer and wine distributors would be able to make those sales to on-premises licensees. LD 1376 moves products in this category to the premium tax rate. This bill, however, creates a new category “spirits-based cocktail”, with a new excise tax rate of 60¢ for products in the range of up to 12% ABV. We are not clear on who would distribute the product under LD 1855.

Thank you for your consideration. I can be available at the work session at the committee’s request.