



**MARYLAND STATE
LICENSED BEVERAGE ASSOCIATION**

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TO: The Honorable Anne R. Kaiser, Chair
Members, House Ways and Means Committee

FROM: J. Steven Wise
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DATE: February 21, 2020

RE: **SUPPORT** – House Bill 765 – *Maryland Tax Revision Commission*

The Maryland State Licensed Beverage Association (MSLBA), which consists of approximately 1,000 Maryland businesses holding alcoholic beverage licenses (restaurants, bars, taverns and package stores), **supports** House Bill 765.

House Bill 765 will establish a commission to analyze the State's tax structure. The MSLBA supports this and intends to bring the following issue to the attention of the Commission, once established. Under Md. Code Ann., Tax-General § 11-105, all vendors who collect the sales tax are given a credit on their remittance of 1.2% on the first \$6,000 of gross sales, and .9% on sales above that amount. This credit is designed to help offset the vendor's costs of collecting the tax and remitting it to the State. A cap on this credit of \$500 per month was enacted during the Special Session of 2007 (Chapter 3), for what was to be a 3-year period, but the cap has since become permanent.

In 2011, a 9% sales tax was imposed on alcoholic beverages with the enactment of Chapter 571 (Senate Bill 994). This rate is 3 points (or 50%) higher than the tax 6 percent rate applied to all other sales. The imposition of the sales tax on alcohol and the cap in the vendor credit came at a time when sales transactions were becoming more expensive for vendors to process, given the increasing use of credit cards. When consumers pay with credit cards, the vendor incurs fees from financial institutions in the range of 3% of the amount of the sale, including the sales tax. Thus, with the imposition of the 9% sales tax, the sale of alcoholic beverages results in even higher credit card fees for vendors than does the sale of other goods that are subject to the lower 6 percent tax. In short, by virtue of the higher sales tax rate, the sale of alcohol has higher transaction costs for vendors than the sale of other goods, and at a time when consumers are making more and more purchases with credit cards. This is an issue that affects many locally owned Maryland businesses, from package stores to breweries, restaurants and wineries.

The MSLBA supports the establishment of the Commission and will ask that it review this matter. For these reasons, the MSLBA supports House Bill 765.

For more information call:

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