DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

February 24, 2025

The Honorable Vanessa Atterbeary
Chair, House Ways and Means Committee
House Office Building
Annapolis, Maryland 21401

Dear Chair Atterbeary:

I am writing on behalf of the Distilled Spirits Council of the United States, the national trade association representing the leading producers and marketers of distilled spirits in the United States, including several craft distillers in the state of Maryland, in opposition to HB 997, which would authorize a county or a municipal corporation to assess up to a three percent gross receipts tax on food and beverages, including beverage alcohol, sold at bars and restaurants.

By almost any measure, beverage alcohol in Maryland is already overtaxed. The current taxation scheme includes a federal excise tax, a state excise tax, significant state and local licensing fees imposed on licensees and retailers of alcohol, and a current sales tax of nine percent, which is thirty-three percent higher than any other product sold in Maryland. When these taxes and fees are piled one upon the other, it results in nearly 50 percent of the retail price going towards a tax or fee of some kind on every bottle of distilled spirits sold in Maryland. The current tax burden makes government an unequal partner in the beverage alcohol business.

This proposed tax on Maryland's hospitality industry comes while restaurants are struggling to rebound after COVID-19. Restaurants will have little choice but to pass the higher tax rates along to consumers in the form of higher prices. The additional tax will have a number of negative impacts on consumers and businesses.

1. **Prices will go up.** Restaurants will have no choice but to raise prices to pay for the increased taxes. As sales decline, they will have no choice but to raise prices to make up for lost revenue.

2. **Sales will go down.** People react to higher prices, and we project nearly *$50 million in lost sales for the state's bars and restaurants*. When the additional three percent sales tax was imposed on all alcohol sales in 2011, Maryland's alcohol sales fell behind the national average by more than five percentage points between 2010 and 2015.

3. **Jobs will be lost.** Increased taxes are simply passed along to consumers in the form of higher prices. People react to higher prices and Maryland businesses are projected to

> lose significant retail sales. As sales fall, so does economic activity. Gross state product (a measure of general economic activity) will decline, and more than 600 jobs will be lost. Data from the Bureau of Labor Statistics shows that the 2011 alcohol sales tax increase resulted in a similar negative impact to package store employment.

The beverage alcohol industry generates over $660 million in state and local tax revenue in Maryland already and drives over $5 billion in economic activity. The state is home to a burgeoning industry of craft distillers, breweries and wineries that drive tourism in the state. And yet, here we are facing a proposal to impose higher taxes on the hospitality industry and its customers. The hospitality industry should not be looked upon as a piggy bank that can be tapped whenever the state wants more money regardless of how laudable the goal might be.

This tax increase will cause consumer prices to go up, retail sales to go down and a significant loss of Maryland jobs. At a time when the state should be working to support the hospitality industry recover from the harsh economic impacts of the pandemic, instead, it is proposing a devastating tax increase.

In closing, adding an additional burden to an already heavily taxed product is not good policy and we urge the committee to reject this proposal and the negative impacts it would have on Maryland consumers and businesses, as well as the local economy.

Sincerely,

Emily Smith

Emily Smith
Vice President, State Public Policy
Distilled Spirits Council of the U.S.