

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 342

(Senator Hafer)

Budget and Taxation

Ways and Means

Garrett County - Beer Tax - Repeal

This bill repeals the county tax imposed on beer sold or delivered in Garrett County. The bill also repeals the misdemeanor penalty imposed on persons who willfully fail to pay the tax.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Garrett County revenues would decrease by approximately \$150,000 annually beginning in FY 2007. County expenditures would not be affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Local governments may not impose a tax on any alcoholic beverage, except in Garrett County, in which the county must impose a tax on beer sold or delivered in the county, in addition to the State beer tax. **Exhibit 1** shows the current local beer tax rates in Garrett County.

Exhibit 1
Local Beer Tax Rates in Garrett County

<u>Container Size</u>	<u>Amount of Tax</u>
12 ounces or less or 0.3549 liters or less	\$0.02
more than 12 ounces or 0.3549 liters but not more than 23 ounces or 0.6802 liters	\$0.03
more than 23 ounces or 0.6802 liters but not more than 31 ounces or 0.9168 liters	\$0.04
more than 31 ounces or 0.9168 liters but not more than 40 ounces or 1.183 liters	\$0.06
for a gallon or fraction of a gallon for a beer container of more than 40 ounces or 1.183 liters	\$0.07

Persons selling or delivering beer in the county are responsible for paying the tax to the county liquor control board before the person sells or delivers the beer for consumption in the county. The county must use the beer tax revenue for general county purposes.

Persons who willfully fail to pay the tax are guilty of a misdemeanor and, on conviction, are subject to a fine of up to \$5,000 and/or up to one year imprisonment.

Local Fiscal Effect: Garrett County revenues would decrease by approximately \$150,000 annually beginning in fiscal 2007 as a result of repealing the county beer tax. The Garrett County budget for fiscal 2007 assumes a reduction in revenues of \$150,000 pursuant to this legislation. **Exhibit 2** shows beer tax collections and gallons delivered for fiscal 2001 through 2005.

Exhibit 2
Garrett County Beer Tax Collections
Fiscal 2001 – 2005

<u>Fiscal Year</u>	<u>Gallons Delivered</u>	<u>Tax Collected</u>
2001	654,246	\$133,150
2002	697,983	141,550
2003	716,302	144,743
2004	746,521	150,690
2005	747,908	151,114

Small Business Effect: Eight beer wholesalers have paid the county beer tax in the past 12-month period; at least four of these would be considered small businesses. Under the bill, no wholesaler would be responsible for paying the county beer tax. This would result in a total tax savings of approximately \$150,000 annually for the eight wholesalers.

Additional Information

Prior Introductions: None.

Cross File: HB 421 (Garrett County Delegation) – Ways and Means.

Information Source(s): Garrett County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2006
ncs/hlb

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