MSLBA
MARYLAND STATE
LICENSED BEVERAGE ASSOCIATION
150 E Main Street, Suite 104, Westminster, MD 21157

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Antonio Hayes

FROM: Jack Milani, MSLBA Legislative Co-Chairman

DATE: January 27, 2021

RE: **OPPOSE** – Senate Bill 172 – *Maryland Health Equity Resource Act*

The Maryland State Licensed Beverage Association (MSLBA), which consists of 1,000 Maryland businesses holding alcoholic beverage licenses (restaurants, bars, taverns, and package stores), **opposes** the tax increase contained in Senate Bill 172.

While we support the use of State dollars to address health care disparities, we do not support raising taxes on alcohol to do so for the reasons set out below. General Fund revenues were used to fund the Health Enterprise Zones program initiated during the O'Malley Administration and should be used for the purposes outlined in Senate Bill 172 as well.

First, alcohol is already taxed twice in Maryland and at rates higher than our surrounding jurisdictions. There is an excise tax on alcohol which generates $30 million each year. There is also a 9% sales tax applied to alcohol at the point of sale, which generates another $300 million, for a total of $330 million dollars each year. The tax rate is already 50% higher than the 6% rate applied to other items. In effect, the proposed increase takes one of the highest taxed items in Maryland, and taxes it even more. The new rate also exacerbates the difference between Maryland's already high rate and that of surrounding states (Virginia (5.3%), Pennsylvania (6%), West Virginia (6%)). Only Washington, DC is higher at 10%.

Some history on alcohol tax increases in the State bears noting. For years, there were proposals in the General Assembly to increase the excise tax rates on alcohol. In 2011, the Legislature instead opted to raise the sales tax to 9% on the premise that as prices rose, the amount of tax generated would also go up and constant adjustments to the tax rates would no longer be required. In other words, the 2011 solution was intended to address alcohol tax revenues once and for all. Now, even more is being sought with this additional 10% increase.

Second, raising taxes that affect small businesses could not come at a worse time. Restaurants and bars are closing by the day and are reeling after being shut down for dining in response to the COVID-19 pandemic. Partial re-openings, outdoor dining and carry out orders have helped some of them remain viable, but the revenue produced from these sales pale in comparison to pre-pandemic levels. The Restaurant Association of Maryland predicts up to 40 percent of Maryland restaurants may close permanently because of the pandemic. The delay in implementation for on-premise retailers is little consolation when they are relying on off-premise sales like carry-out and delivery to stay afloat, and these will be taxed at the higher rate immediately. Off-premise retailers like package stores experienced increased sales at the start of the pandemic, but the bulk purchases that accounted for some the uptick have waned, and the greatly reduced sales around holidays and large gatherings which used to exist have offset the gains. Even so, why would the General Assembly want to tax further a retail sector that has helped the State's economy through this difficult time?

For these reasons, the MSLBA strongly urges the General Assembly to reject this tax increase.

For more information call:
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