



The Senate Budget and Taxation Committee
The Honorable Guy Guzzone– Chair
The Honorable Jim Rosapepe – Vice-Chair
Members of the Budget and Taxation Committee

SENT VIA ELECTRONIC MAIL

Dear Committee Members:

I'm sorry I could not appear before you today but appreciate the opportunity to submit my comments for the record. When I started Clipper City Brewing Company in 1995, now better known as Heavy Seas Beer in Baltimore, I could never have guessed that we'd be where we are today. I'm proud of the role our brewery plays in our community, and I'm humbled by our employees who worked hard during the pandemic to keep each other safe while brewing the quality beer Marylanders know so well. I can only imagine the challenges other local businesses face as we work to return to normalcy. That's why I'm concerned about a new proposal to give a tax break to hard liquor: it's unclear what purpose this legislation serves.

Marylanders were hit hard by the pandemic. Many of us are just now starting to recover, and as a local business owner, I can say that extraordinary inflation, supply chain issues, and labor shortages are hindering our efforts. As the Maryland legislature looks for ways to support our communities and local businesses, I encourage our lawmakers to use taxpayer dollars wisely. HB 867 / SB 793, which gives a tax break to hard liquor, does not seem like a good use of hard-earned taxpayer dollars.

Hard liquor reported massive sales in 2021, amassing a record \$3.8 billion in revenue last year. The trade association for the liquor industry has been on the record boasting about the profits their companies have made. The CEO of Beam Suntory, the maker of Jim Beam and other spirits, said that "ready to drink [canned cocktails] generate cash." Meanwhile, the beer industry lost nearly 600,000 jobs due to the pandemic. The hospitality industry lost millions of jobs, which as we know, has a ripple effect throughout our communities and local economy.

If HB 867 / SB 793 passes, it will blow a hole in the state's budget. According to the fiscal note, this bill will blow a \$15.4 million hole in the state's budget over five years. Alcohol industry data and current trends estimate an even larger number -- \$21.3 million over the next five years. That means taxes must be raised elsewhere to make up for the cuts given exclusively to liquor companies.

Where will these tax cuts go? Will liquor companies – many of which are out-of-state and foreign-owned – pass these tax cuts on to consumers? Will the tax breaks go to restaurants, bartenders, and so many others in the hospitality industry who desperately need price cuts as they battle rising prices due to inflation?

Across our state, there are now 120 breweries generating nearly \$4.5 billion in economic benefits every year. My colleagues and I are proud to support the more than 31,000 Maryland jobs created by the beer

industry. Breweries have evolved into being a staple in our neighborhoods – a place where friends, family, and coworkers can grab a beer together – not to mention economic drivers that support our local agriculture, manufacturing, and trucking industries, to name just a few. Prioritizing big liquor over local industries just doesn't seem right.

Instead of passing a tax cut for hard liquor, I encourage Maryland lawmakers to focus on supporting our local businesses and working families as we build back from the effects of the pandemic. There are so many issues facing our state right now that need immediate attention. The legislature could concentrate their efforts on strengthening our education system, bolstering childcare for working families, and addressing our frontline workers' needs, for example. Now is simply not the time to give a handout to hard liquor.

Thank you.

Hugh Sisson, Founder
Heavy Seas Beer