The Honorable Vanessa Atterbeary
Chair, House Ways & Means Committee
130 Taylor House Office Building, Annapolis, Maryland 21401

March 6, 2025

Re: Unfavorable House Bill 1469- Taxes – Sugary Beverage Distributor Tax (For Our Kids Act)

Dear Chair Atterbeary and Members of the Committee,

Good afternoon. Thank you for this opportunity to address you today. My name is Tiffany Harvey, I lead the Maryland-Delaware-D.C. Beverage Association. I am here to voice the concerns of Maryland's beverage companies about the negative impact of the proposed beverage tax that this Assembly is considering.

A beverage tax will hurt Maryland's working families, local businesses and their employees. That, unfortunately, has been the experience of the handful of other jurisdictions that have had a beverage tax imposed on them. Where they've been tried, beverage taxes have raised prices dramatically on consumers, reduced sales for local businesses, and cost employees job hours and sometimes their jobs.

Beverage taxes cause such widespread damage because of the nature of the beverage industry in Maryland. Maryland beverage companies make drinks that are a popular item on nearly everyone's grocery list, including sports drinks, teas, sparkling waters, flavored waters, soda and juice drinks. Their products are a regular menu item at restaurants and sold in many retail spots such as grocery stores, theaters and corner stores. A tax on beverages affects consumers, small businesses and employees who rely on beverage sales for all or part of their livelihood.

Beverage companies are a significant contributor to the local Maryland economy. The beverage industry generates an annual economic impact of $3.8 billion, paying more than $353 million in wages and benefits and contributing over $200 million in state taxes. The beverage industry directly employs 3,861 people in Maryland and supports the jobs of many thousands more across the supply chain. Many of these well-paying, family supporting jobs do not require a college degree - many of them union jobs.

The sale of beverages in Maryland supports a wide range of businesses and their employees. Beverage sales provide income for Marylanders who work in the production process, including machine operators, quality control inspectors, and maintenance technicians. Beverage sales support the incomes of warehouse workers, forklift drivers, logistics coordinators and inventory specialists. Beverage sales are important to the incomes of truck drivers who deliver beverages to stores; and the retailers themselves depend on beverage sales in part to pay cashiers, store managers, stockpersons. Restaurants and movie theaters depend on income from beverage sales to keep their businesses open and running. So much of our local economy and the livelihoods of working families depend on the sales of affordable beverages.

The proposed beverage tax, however, poses a significant threat to working families and small businesses, as well as employees. If enacted, this tax would cause substantial price increases that would directly impact small local businesses that depend on beverage sales to stay afloat and pay employees.

The tax being contemplated by lawmakers here would be the highest beverage tax in the country. The cost of a family 2-liter beverage could rise 46%, and some brands could nearly double in price. A typical 8-pack of 20-ounce sports drinks would increase in price by $2.40 and a case of soda would cost $5.74 more. Such drastic price increases would prompt many shoppers to cross state lines to buy untaxed beverages, and when they do, they would bring their entire grocery list with them. Maryland small businesses would lose significant revenues to stores outside the state.

This isn't conjecture. We've seen the negative impact of this tax elsewhere. In Philadelphia, the tax led to job losses and reduced work hours as stores lost sales to businesses in neighboring areas without such taxes. Store owners made public their sales data showing sales losses to stores outside the city. The Teamsters labor union spoke of drivers who lost jobs and job hours. The effects of these taxes are real to working families, small businesses and their employees.

Maryland's small businesses are rightly concerned about the harm the tax will bring to their customers, businesses and employees. I urge you to strongly consider what they have to say. These are the people who create jobs and opportunities for working families.

Some supporters of this tax say it will improve health. However, this tax has never been shown to reduce rates of obesity or diabetes. In fact, where beverage taxes have been tried, these rates have continued to rise.

Beverage companies agree that too much sugar isn't good for anyone. We're leveraging our industry's strengths in product innovation and marketing to offer consumers more choices with less sugar, smaller portion sizes and clear calorie information. We voluntarily removed full calories soft drinks from schools. Today, nearly 60% of beverages sold have zero sugar.

Soda is not driving obesity rates in Maryland. Adult obesity is up 37.4% since 2000, at the same time that full-calorie soda sales decreased 22.9%. If soda is driving obesity rates, those rates should have decreased with the decline in soda consumption. They did not because rising calories from food is what has been driving these rates to rise, according to the USDA and CDC.

The beverage industry has a history of working with government and public health officials to support families in their efforts to achieve balance. We partnered with former President Bill Clinton to remove full-calorie soft drinks from Maryland schools in 2010. We voluntarily placed easy-to-see calorie labels on the front of every bottle, can and package we sell. We have placed calorie reminders on 3 million vending machines and fountains nationwide.

These efforts, in collaboration with government and health groups, are succeeding. Our actions have produced meaningful results that have reduced sugar in the diet without placing a tax burden on families who can least afford it. And we are not done yet.

Imposing a beverage tax will burden Maryland's working families, small businesses and their employees. It is an unnecessary measure at a time when we should be focusing on supporting our residents and their recovery from the economic impacts of recent years, from the job losses of the pandemic to the shock of inflation. This is not the time to introduce such a regressive tax, which disproportionately affects lower-income families already struggling with the seventh-highest cost of living in the country. With ongoing economic challenges, including high food and housing costs, the last thing we need is a tax that makes daily life more expensive for Marylanders.

I urge the Assembly to consider these points carefully and reject the proposed beverage tax. Thank you for your time and consideration.