
Food and Beverage Taxes

Presentation to the Task Force to Modernize County and Municipal Revenue Structures



October 2, 2026



Overview

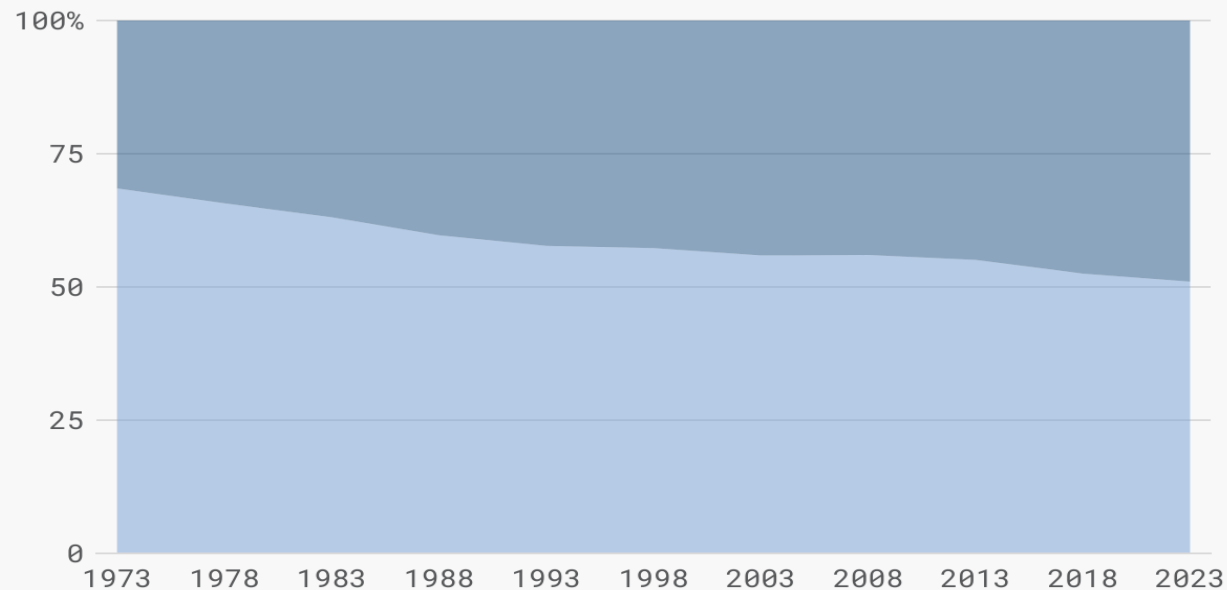
- Consumer trends/policy considerations
- Maryland legal and policy framework
 - SB 324 / HB 997 of 2025
- Analysis of neighboring jurisdictions
- Questions and discussion

Policy Considerations

Americans Spend More on Restaurant Meals than Ever Before

Composition of Food Consumption, 1973-2023

■ Food Consumed at Home ■ Food Services



Source: US Bureau of Economic Analysis, Table 2.4.5.

Chart: Andrey Yushkov



Policy Considerations

- Food and beverage taxes are built on a tax base that continues to grow – in 2022, consumer spending on food services reached \$1 trillion for the first time in the country's history.
- Generally, food and beverages taxes have not had a deterrent effect on food service consumption.
- Additionally, a significant portion of food services are consumed by visitors and nonresidents.
 - Fairfax County, VA – 34% of revenue from visitors / commuters
 - Higher in resort areas (> 50%); on average, lower (5%-25%)



Policy Considerations

- While a general sales tax is designed to fall on a broad range of consumption, specialized taxes are typically justified as ways to disincentivize behavior, internalize some negative externality, or turn a government program into a user-pays system.
 - Most states do not tax groceries at all or tax groceries at a lower rate
- Sales taxes, at a flat rate, are generally regressive.
- Policymakers may also consider issues related to revenue stability, as dining out often declines during times of economic or public health crisis.



Maryland Sales and Use Tax

- The State imposes a 6.0% tax on the sale and use of tangible property, certain digital products, and certain taxable services.
- Groceries are generally exempt (though this does not include soda or candy); prepared food or “food for immediate consumption” is generally subject to the tax.
 - From 1992 to 1997, snack foods were also subject to the tax.
 - In 2025, the General Assembly repealed the exemption for snack foods sold through a vending machine.

§§ 11-102, 11-104, and 11-206 of the Tax – General Article



Code County Food and Beverage Tax

- The General Assembly has authorized code counties to impose a tax on the sale of food and beverages in a resort area for the sole purpose of providing revenues to pay the principal and interest on bonds issued relating to the construction, reconstruction, repair, renovation, or equipping of a convention center facility in the resort area.
- The tax:
 - 1) may not exceed 1.0%;
 - 2) does not apply to groceries or vending machine items;
 - 3) is currently only imposed by Worcester County in Ocean City at a 0.5% tax rate; and
 - 4) generates approximately \$110,000 in revenue each fiscal year.

§§ 11-102 of the Tax – General Article; § 20-602 of the Local Government Article



SB 324 / HB 997 of 2025

- The legislation would have authorized counties and municipalities to impose a local admissions and amusement tax of up to 3% on the gross receipts derived from the sale of specified food or beverages at a place where there are facilities for the consumption of food or beverages on the premises.
- The tax:
 - 1) would not be imposed on revenue derived from the sale of alcoholic beverages, groceries, or vending machine items;
 - 2) would be in addition to the State sales and use tax rate;
 - 3) would be administered by the Comptroller; and
 - 4) would generate approximately \$460 million annually statewide if all local governments imposed the maximum 3% rate.



Sales and Use Taxes on Food and Beverages

- Generally, there are four categories for the 50 states and the District of Columbia:
 - No sales tax or a business gross receipts tax
 - Ordinary sales tax only
 - A higher general sales tax rate on meals
 - Local meals taxes only or on top of another rate (36 states, technically including Maryland)



Sales and Use Taxes on Food and Beverages

<u>State</u>	<u>State Sales Tax</u>	<u>Groceries</u>	<u>Meals</u>	<u>Local Sales / Meals Tax</u>
Maryland	6.0%		✓	Ocean City (0.5%)
Delaware	No state or local tax (business gross receipts tax, including on food service providers)			
District of Columbia	7.0%		✓	10.0% special rate for meals
Pennsylvania	6.0%		✓	Philadelphia has a general 2.0% rate; Allegheny County has a general 1.0% rate
Virginia	4.3%	✓ (1.0%)	✓	Mandatory general 1.0% rate and additional authorized*
West Virginia	6.0%		✓	101 municipalities – 1.0%

* For the general sales tax, an additional (1) 0.7% tax is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Danville City, Charlotte, Gloucester, Halifax, Henry, Northampton, Patrick, and Pittsylvania counties; and (3) 1.7% in localities in the Historic Triangle; then individual jurisdictions in Virginia set a food and beverage tax rate, typically 4% to 6.5%--but can be higher



Virginia

- General sales and use tax rate – 4.3%
 - Applicable to meals
 - Collected by Tax Commissioner; revenue for the Commonwealth
- Special sales and use tax rate – 1.0%
 - Applicable to groceries
 - Collected by Tax Commissioner; revenue for local governments
- Local general sales and use tax rate – mandatory 1.0%; then additional 0.7%, 1.0%, or 1.7%
 - Applicable to meals
 - Collected by Tax Commissioner; revenue for local governments (with restrictions)
 - Requires voter approval in some instances
- Local meals tax rates – up to 6% for counties and no cap for cities or towns (generally 4% - 6.5%)
 - Applicable to meals
 - Administered and collected by local governments; revenue for local governments
 - These rates do not “stack” – if a municipality imposes a rate, a county rate does not apply



Maximum Combined Rates

- Delaware – 0.0% (business gross receipts tax structure)
- District of Columbia – 10.0%
- Ocean City, Maryland – 6.5%
- Philadelphia, Pennsylvania – 8.0%
- Virginia – 13.5% – various municipalities, including Richmond (7.5% local meals tax and 6.0% state/local sales tax structure) and Williamsburg (6.5% local meals tax and 7.0% state/local sales tax structure)
- West Virginia – 7.0% (101 municipalities, including Charleston)



Alcoholic Beverages

- Alcoholic beverages in the State are regulated through a three-tier distribution system. The system separates ownership and operations among (1) manufacturers; (2) wholesalers; and (3) retailers of alcoholic beverages.
 - In general, manufacturers and wholesalers are regulated at the State level while retailers are regulated at the local level.
 - The State imposes certain excise taxes on manufacturers and wholesalers of alcoholic beverages.
- The State imposes a 9.0% sales and use tax rate on retail sales of alcoholic beverages.
- Local governments do not have the authority to impose an additional tax on alcoholic beverages.



Sales and Use Taxes on Alcoholic Beverages

<u>State</u>	<u>Applicable State and Local Sales Taxes</u>	<u>Local Alcohol Taxes</u>
Maryland	9.0% rate	N/A
Delaware	No state or local tax (business gross receipts tax, including on food service providers)	
District of Columbia	10.0% (on premises) or 10.25% (off premises) rates	N/A
Pennsylvania	6.0%, 7.0%, or 8.0% rates (if sold at Pennsylvania Liquor Control Board stores, there is an additional 18.0% tax included in the price)	Philadelphia has a 10% tax on retail sales; Allegheny County has a 7.0% tax (not applicable if sold at Pennsylvania Liquor Control Board stores)
Virginia	5.3%, 6.3%, or 7.0% rates generally apply	Local meals taxes apply
West Virginia	6.0% or 7.0% rates generally apply	5.0% (liquor only)