



Maryland State Licensed Beverage Association



LICENSED BEVERAGE DISTRIBUTORS OF MARYLAND



September 16, 2020

Industry Statement on Proposal to Increase Alcohol Taxes

This statement is issued by the above organizations in response to the proposal to increase the sales tax on alcoholic beverages from the current 9% to 10%. While we support the use of State dollars to address health care disparities, we do not support raising the most regressive tax in the State to do so, for the reasons set forth below.

First, alcohol is already taxed twice in Maryland. There is an excise tax on alcohol which is paid when products arrive in the State. There is also a 9% sales tax applied to alcohol at the point of sale. This rate is already 50% higher than the 6% rate applied to every other item subject to the sales tax in Maryland. In effect, this tax increase takes one of the highest taxed items in Maryland and taxes it even more. Maryland’s sales tax rate on alcohol is already much higher than most surrounding states (Virginia (5.3%), Pennsylvania (6%), West Virginia (6%)).

Second, raising taxes that disproportionately affect the restaurant and bar industries could not come at a worse time. Restaurants and bars were 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 and uncertainty about when business will return to normal, as it has become increasingly difficult for restaurants to generate the customer volume and revenue they need to remain open. In addition, unemployment in the hospitality

industry is well documented and has outpaced every other industry in Maryland.¹ As these businesses struggle to regain their footing, which will take years, raising taxes will likely result in reduced sales in Maryland and essentially kicks a struggling industry while it is down.

Finally, alcohol taxes are regressive--they affect those with lower incomes the most. Those who have lost their jobs due to the pandemic, many from the hospitality industry but also from hospitals and other industries, are the consumers being asked to pay these higher taxes. The General Assembly should focus on getting bars and restaurants back on their feet, so that they can hire workers back, and not on taxing those industries and those consumers who have been hit the hardest.

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¹ See <https://www.dllr.state.md.us/lmi/ces/>, showing employment figures in the Leisure and Hospitality sector still down by 27% in July versus March, when the pandemic restrictions were first put into place.