



HOUSE BILL 832

The Lorraine Sheehan Health and Community Services Act of 2010

March 11, 2010

POSITION: Oppose

Madame Chair and Members of the Ways & Means Committee:

On behalf of the members of the *Restaurant Association of Maryland*, we strongly oppose House Bill 832, which would significantly increase alcoholic beverage tax rates.

Like other retailers, restaurants operate on razor-thin profit margins. The secret to success is to focus on high customer volume and to take advantage of lucrative profits from alcohol sales to maintain a healthy bottom line. For many smaller establishments without high-volume capacity, alcohol sales help to keep them afloat. A significant increase in alcohol taxes, as proposed by this legislation, would force restaurant/bar owners to pass the cost of this increase onto customers. With the poor economy and decreased customer traffic, higher alcohol taxes would undoubtedly result in a decline in alcohol sales, especially for restaurants/bars located near our state borders. Maryland establishments would lose business to neighboring states as customers seek cheaper liquor prices.

While proponents of the alcohol tax increase often say that it has been far too long since alcohol taxes were increased, we remind this Committee that sales tax on alcohol increased 20 percent (along with many other products and services) in January 2008 when Maryland's sales tax rate increased from five to six percent. We did not oppose this sales tax increase because it was not industry-specific and the pain of the increase was shared equally across the entire retail sector. Moreover, alcohol has a long and significant history of helping to generate sales tax revenue for the state. Increasing both the sales tax and alcohol tax within a three-year period would be an unfair double hit on the restaurant and bar industry, especially during this critical time of economic recovery.

For these reasons, we hope that you will reject HB 832 by giving it an unfavorable report.

Sincerely,

Melvin R. Thompson
Senior Vice President
Government Affairs and Public Policy