

TO: Budget and Tax and Finance Committee Members
FROM: Brewers Association of Maryland
Maryland Distillers Guild
Maryland Wineries Association
RE: SB 172 – Maryland Health Equity Resource Act
Position: OPPOSE
DATE: January 27, 2021

Mr. Chairman and members of the Committee. My name is Jaime Windon and I am the President of the Maryland Distillers' Guild. I am also the owner of Lyon Rum Distillery and Tasting Room located in St. Michael's. I am testifying in OPPOSITION to the tax increase that is proposed in Senate Bill 172.

In the interest of your time, I am here representing all three of Maryland's alcohol manufacturing sectors. I am speaking on behalf of the 275 small businesses that are members of the Maryland Distillers' Guild, The Brewers Association of Maryland and the Maryland Wineries Association. We have the same common interest in this legislation and therefore our position is the same.

Our opposition is narrowly focused on the disparate impact this legislation would have on our small Maryland businesses. We recognize that the objectives of the bill are societal goals. However, SB 172 does not share the burden of meeting these societal goals across all of Maryland. Instead, it focuses disproportionately on our small businesses, which are all in an historic struggle to survive.

Our businesses are not large international conglomerates which market products world-wide. Only one of the 275 members of the three organizations I represent here today started outside Maryland. These businesses represent exactly what we would want to occur in Maryland. Local efforts, focused on selling local products to Marylanders, growing to provide jobs to Marylanders.

As start-ups, many of cannot afford to pay ourselves regularly or even to offer health insurance to our employees. Both are goals every one of would like to achieve as our business grows. We all fear that the tax provisions of SB 172 will make those goals even further away from attainment.

All our production is in Maryland and, as a result, our product is taxed twice by the State. All three products are levied with high excise taxes. Predominately, these taxes are paid by us at the time of manufacture and before we know we have a customer for our product. This is different than almost any other consumer product on which sales tax is paid. We find it shocking that the proponents of this bill would target small Maryland employers, who are already burdened with a tax levied on no other consumer product.

This double tax burden is in addition to the fact that the sales tax on alcohol is already levied at the highest rate of any other consumer product.

As you all well know, the effect of COVID-19 has been nothing short of devastating on small businesses. All 275 of our businesses previously depended on Marylanders visiting our locations to buy our consumer product. That changed in March as we closed our doors to visitors only to have many consumers shy away from visits now, even if they are allowed to enter. The effect has been profound, and all the small businesses will feel this negative effect for years to come.

Please know, I am not here to tell you how to craft Maryland tax policy. I am here to let you know how the unintended effects could affect the 275 Maryland alcohol manufacturers that are struggling every day to capture sales to keep the doors open and make payroll.

When you look at the tax provisions of SB 172, please remember that they fall equally on a marketplace that is very unequal. Maryland wine accounts for only 3% of wine consumed in The State. Maryland beer for less than 10% of all in-state beer sold. Maryland distilled products are below 1% of consumption in Maryland. Yet the new tax burden in SB 172 lumps our products in with those of much greater market share, with no consideration of that market disparity.

For these reasons Mr. Chairman and members of the Committee we ask you to re-visit the tax portions of SB 172 and to delete the disparate increase in the alcohol sales tax.

For more information contact Brad Rifkin, Camille Fesche or Pat Roddy at 410-269-5066.