

DIAGEO

Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis MD 21401

Honorable Delores Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis MD 21401

Re: Senate Bill 172 (Maryland Health Equity Resource Act)

Dear Chairperson Guzzone and Chairperson Kelley:

This is written respectfully to express Diageo's opposition to SB 172 (Maryland Health Equity Resource Act) which would raise the State's sales tax on the sale of alcoholic beverages for the purpose of funding a Health Equity Resource Community Reserve Fund for programs aimed at reducing health disparities in the State. Under the bill, the sales tax would increase immediately to 10% for sales by "off-sale retailers" and would increase to 10% for sales by "on-sale retailers" beginning October 1, 2023.

To be clear, Diageo's opposition to SB 172 is solely to the proposed increase in the sales tax on alcoholic beverages. Diageo does not oppose the targeting of State resources to fund programs to reduce health disparities, but it opposes an increase in the sales tax on alcoholic beverages as the funding source for these programs.

As you may know, Diageo is a global leader in beverage alcohol with an outstanding collection of brands including Johnnie Walker, Crown Royal, Bulleit and Buchanan's whiskies, Smirnoff, Ciroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness. Diageo owns and operates the Guinness Open Gate Brewery in Baltimore County, where it employs roughly 240 Marylanders when fully operational, and where it invested more than \$90 million to construct the brewery.

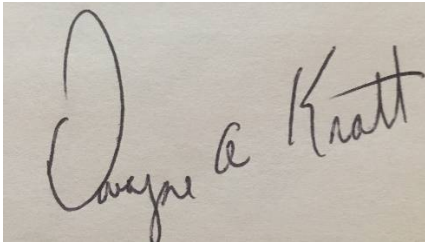
We oppose an increase in the sales tax on alcohol because we firmly believe now is not the time to raise additional taxes on the hospitality industry which we all know is reeling due to the Covid 19 pandemic.

We also wish to point out that the last time when the state of Maryland raised alcohol beverage taxes, it raised the sales tax in the same way this proposal does. The result of this increase was a loss of sales volume in Maryland specifically to neighboring Delaware. The other result of this proposal was a "baked in" tax increase for the state of Maryland anytime a manufacture decides to raise its prices. This means that the state already receives incremental tax revenue from the sale of alcohol beverages every year.

In conclusion, Diageo's opposition to SB 172 is solely to the proposed increase in the sales tax on alcoholic beverages. We do not oppose the targeting of State resources to fund programs to reduce health disparities, but we oppose an increase in the sales tax on alcoholic beverages as the funding source for these programs.

Thank you for your consideration.

Respectfully,

A handwritten signature in black ink on a light-colored background. The signature reads "Dwayne A. Kratt" in a cursive, slightly slanted script. The first name "Dwayne" is written with a large, looped 'D' and a small 'A' as a middle initial. The last name "Kratt" is written in a similar cursive style.

Dwayne A. Kratt

Sr. Director, State Government Affairs