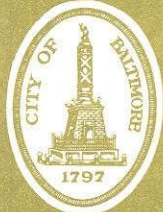


Andrew Klein

FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of Budget and Management Research (410) 396-4941
	SUBJECT	City Council Bill No.12-033 Beverage Container – Modifying Sunset

CITY of
BALTIMORE
MEMO



TO

DATE:
March 5, 2012

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

This bill eliminates the sunset provision of the City's beverage container tax at the end of Fiscal 2013 and increases the tax to 5 cents per container.

Analysis

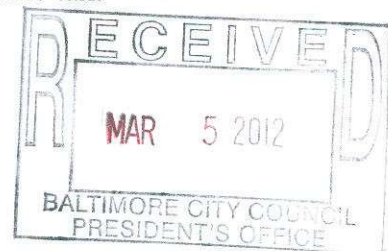
There is currently a two cent tax on beverage containers sold in the City in Baltimore. All containers less than two liters are subject to the surcharge excluding dairy, dairy substitutes and beverages containing at least 10% juice. The surcharge is paid by the beverage distributor to the City's Department of Finance. In Fiscal 2011, the tax raised over \$4.7M in the initial 11 months of the tax.

The tax has several behavioral implications. First it is designed to encourage the use of refillable containers, which in turn reduces oil consumption and litter at the same time. The bill also encourages citizens to drink more of the City of Baltimore's high quality tap water instead of bottled tap water from other cities.

The beverage container tax helps to better approximate the true cost of the products, particularly the social cost of health and litter, which the City must bear. Similarly, Chicago has enacted a \$0.05 per bottle tax on bottled water to help reduce landfill requirements.

The beverage container tax is levied on all containers distributed within the City limits. Because the tax is levied on distribution, it does not economically impact production facilities in the City as has been previously reported.

This is a broad based tax which permits a low tax rate, which is spread across most of the City's residents creating significant revenue for the City. Because of the broad tax base, no single group of citizens will bear an excessive burden from the tax.



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Fiscal Impact

The Department of Finance is forecasting receipts of \$10,460,000. This estimate is based on current receipts with price adjustments for both state and local tax changes. Published elasticities for consumer behavior are used to adjust for the increase in the local tax and recent levies by the State on alcohol. Actual receipts could be higher or lower.

Recommendation

The Department of Finance supports this bill.

Cc: Harry Black
Angela Gibson

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