

*Andrew Klein*

<b>FROM</b>	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of Budget and Management Research Department of Finance
	SUBJECT	City Council Bill No.11-0743 Beverage Container – Modifying Sunset

CITY of  
BALTIMORE  
**MEMO**



**TO**

DATE:  
October 11, 2011

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

This bill proposes to sunset the City's beverage container tax at the end of Fiscal 2012.

**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.

This is a broad based tax which permits a low tax rate, which is spread across most of the City's residents – as well as commuters and tourists -- 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.

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.

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.

**Fiscal Impact**

In Fiscal 2011, the City collected \$4.7 million over a 49 week period. This bill would result in an estimated loss of \$4.9 million for Fiscal 2013. The loss of \$4.9 million of revenue would have severe impacts on the City's budget. It would exacerbate a revenue shortfall already projected at more than \$50 million, and could cost nearly 100 City employees their jobs.

*Unfort.*



**Recommendation**

The Finance Department opposes this bill.

Cc: Edward Gallagher  
Angela Gibson

*Please visit our website @ [www.baltimorecity.gov](http://www.baltimorecity.gov)*