

# **Baltimore bottle tax looms as budget deadline nears**

By Melody Simmons, *Daily Record*, June 8, 2010

Michael Hyatt, managing partner of Wells Discount Liquors, remembers how a city bottle tax hurt his business in the 1990s.

With \$20 million in new taxes and fees approved Monday night to help close a \$121 million budget gap, members of the Baltimore City Council are one vote short of approving a controversial bottle tax that has hung in the balance for weeks as a June 30 deadline looms. “There are some on the council who have said that at the end of the day if they need to pass the bottle tax to close the gap, they will vote for it,” said Councilman James B. Kraft, a supporter of the container tax who district includes Canton, Fells Point and Harbor East. “It’s one vote short. It’s still there.”

The tax of 4 cents per container, exempting milk and fruit juice bottles, was proposed by Mayor Stephanie Rawlings-Blake in April as a way to help raise \$50 million in new tax revenue to help eliminate a looming deficit and avoid city layoffs and cuts to fire and police operations. It is estimated to bring in \$11.4 million in new revenues annually.

Merchants such as Michael Hyatt, managing partner of Wells Discount Liquors on York Road at the city-county line, are fighting the measure because they say they will lose customers to competitors just across the street in Baltimore County, where there is no container tax.

“It would raise the cost of a 30-pack of beer by \$1.20 and that’s a big deal,” Hyatt said. “It puts us at a disadvantage. We have put posters up in the stores and are giving handouts to our customers. I know the city needs the money, but when you look at the number of nonprofits who are not paying any taxes on their buildings, it makes you want to throw up.”

The city passed a similar tax in the 1990s. The result, said former Mayor Kurt L. Schmoke, sent soda and liquor customers streaming into neighboring stores in Baltimore County, hurting business and tax revenues in the city.

Geography, the former mayor said, ultimately hampered the effectiveness of the tax, because the city is surrounded by the county.

“It didn’t work,” said Schmoke, now dean of the School of Law at Howard University in Washington. “We repealed it after we found other sources of revenue.”

Recalling the repeal, Hyatt agreed. “It really helped our sales,” he said.

The council voted Monday to impose \$20 million in new taxes, and the Taxation, Finance and Economic Development Committee is scheduled to meet Thursday afternoon to vote on another round of tax increases totaling close to \$21 million.

The Board of Estimates is also expected to vote Wednesday to increase parking meter rates in five areas from \$1 per hour to \$2 per hour, adding another \$3.1 million in new revenue.

Members of the council have danced around the bottle tax issue for weeks as an aggressive and public campaign to kill the proposal by local store owners and the beverage lobby has flooded local airwaves and Internet sites.

Council President Bernard C. “Jack” Young has said he will decline to vote on the proposal because his cousin works for Pepsi Cola and he believes that poses a conflict of interest.

On Monday, a proposal to levy an 8 percent energy tax on industrial and manufacturing plants in the city was rolled out as the latest proposed alternative to the bottle tax. The bottle tax, though, is believed by many council members to remain a strong contender to erase the red ink.

“It absolutely is still on the table,” said Councilman William H. Cole IV, a supporter of the measure whose district includes downtown Baltimore. “I think if it will come up for a vote, it will be on June 14 (the council’s next scheduled meeting).

“I don’t like it. But if I have to pay an extra 4 cents per bottle that avoids voting for an increase in the property tax, I will. We are left with so few options,” Cole said.

Mayor Rawlings-Blake said the new taxes are necessary in order to avoid a 36 cent increase in the city’s property tax rate and prevent up to 355 layoffs.