

## **Baltimore City Council passes 2-cent bottle tax**

by Gary Haber, *Baltimore Business Journal*, June 24, 2010

The Baltimore City Council on Thursday passed a controversial 2-cent tax on some bottled beverages, despite pleas from retailers and bottlers to axe the bill.

The council passed the measure 8-4, with Council President Bernard C. “Jack” Young abstaining from the vote. Councilmen Bill Henry and Warren Branch were not present for the vote.

Mayor Stephanie Rawlings-Blake originally proposed a 4-cent tax on bottled beverages, excluding milk and two-liter sodas. But grocers and bottlers, as has been the case for the months, continued to fight even a reduced tax up until the final vote Thursday afternoon.

Opponents said a tax will hurt city residents, jeopardize jobs at bottlers and retailers, and push city residents to shop in the suburbs to avoid the tax.

“I can’t help but feel the mayor, and part of the City Council, have let the city down in a big way,” Rob Santoni Jr., comptroller of Santoni’s Supermarket, said after Thursday’s vote. He said his supermarket could see as much as \$1 million in lost sales.

The tax — slated to sunset after three years — is expected to generate \$5.7 million for the city, which is faced with a \$121 million budget gap for next year.

Rawlings-Blake and the bill’s supporters on the City Council said the income the tax will generate will save the jobs of 47 city workers and keep vital city services in place.

“With today’s vote, funding for basic services like street sweeping, graffiti removal and waterway maintenance will be restored,” Rawlings-Blake said in a statement issued after the vote.

Councilman William Cole IV, whose district includes the downtown business district and Inner Harbor, said he voted for the tax because it will preserve city street cleaning and harbor cleanup. His constituents backed the tax overwhelmingly, Cole said.

“Frankly, I don’t believe that a 2-cent bottle tax will affect businesses,” Cole said. “It’s a small amount to pay for restoring vital services.

Opponents of the tax had a different point of view.

“We could not be more disappointed,” said Ellen Valentino, executive vice president of the Maryland-District of Columbia-Delaware Beverage Association. “No other jurisdiction in the country has this tax. That’s because it is hurtful, and an implementation disaster for small businesses.”

When Baltimore had a similar beverage tax in the 1990s, the program was unsuccessful, with the city having problems collecting the revenue the tax was supposed to generate, Valentino said.

Before the vote Thursday, opponents mobilized for one final push to defeat the tax.

With a supermarket beverage case as the backdrop, a coalition of retailers and bottlers again blasted the measure as a jobs killer that would crush already cash-strapped city residents and hurt grocers by pushing business to stores in the suburbs.

That prospect worries grocers like Sandy Vary, whose Belair Road supermarket is just six blocks from the Baltimore County line.

Vary, the owner of Bel-Garden Bi-Rite supermarket, said shoppers won't just buy their sodas and juices in suburban stores. They will take the rest of their business with them, said Vary, whose store was the location for Thursday's press conference organized by a group called Stop the Beverage Tax.

"Two cents means a lot to us, and it means a lot to our customers," Vary said of the tax.

To illustrate the point, a shopping cart full of petitions signed by shoppers opposed to the tax was prominently displayed.

Vary said she will have to cut expenses if the measure passes and her store loses sales. That could include scaling back employees' hours or possibly even layoffs, she said. Her store employs about 90 full- and part-time workers.

"With the passage of this tax, there are no winners," said Michael Rady, a human resources director for the Pepsi bottling plant on Union Avenue in Baltimore, which employs about 400 workers.

City Council members deadlocked 7-7 in a June 17 vote on the 4-cent levy. However, in a compromise move, the Council approved a 2-cent tax in a vote on June 21.

Shoppers had varying reactions to the proposed tax.

Valerie Bullock, 50, of Baltimore, said imposing a beverage tax in Baltimore, but not in the surrounding counties, would be unfair to city residents. Bullock, who shops for groceries at least twice a week, said she will consider taking her business to the suburbs.

"It's a real issue for me," Bullock said.

Dora McGlone, of Baltimore, said she can live with the tax, which she sees as a better alternative to the city hiking her property taxes.

"If they need it, I'm all for it," said McGlone, 53, a medical biller. "Two cents. I don't even think you'll realize you're paying it."

