



March 6, 2025

Ways and Means Committee
Maryland General Assembly
130-131 Taylor House Office Building
Annapolis, Maryland 21401

Chair Atterbeary, Vice Chair Wilkins, and members of the Committee:

On behalf of the National Automatic Merchandising Association (NAMA), I wish you a happy National Vending Day, and I also ask you to oppose House Bill 1469, *Taxes - Sugary Beverage Distributor Tax (For Our Kids Act)*.

NAMA represents the United States convenience services industry, with its core membership comprised of owners and operators of vending machines and micro markets, office coffee/tea/water, and pantry services providers, as well as the manufacturers of vending machines. The industry employs 3,116 Marylanders, contributes over \$66 million in taxes, and is responsible for nearly \$576 million in annual economic impact.¹

On the first Thursday of March each year, the convenience services industry celebrates National Vending Day, spotlighting the unsung heroes that serve millions of American consumers through vending machines and unattended retail every year.

Opposition to HB 1469

I appreciate the opportunity to present the convenience services industry's perspective on the proposed sugar-sweetened beverage (SSB) tax. While we acknowledge the intent to address public health concerns, we firmly oppose this tax for several reasons:

1. Economic Impact on Small Businesses

The proposed SSB tax would disproportionately affect small businesses within the convenience services industry. Many of our members operate on thin margins, and an additional tax on beverages would:

- **Increase Operational Costs:** Operators would face higher product costs, which cannot be fully transferable to consumers without risking sales declines.
- **Reduce Consumer Purchases:** Higher retail prices would deter consumers, leading to decreased sales and potential revenue losses for small business owners.
- **Competitive Disadvantage:** Small businesses may struggle to compete with larger retailers better positioned to absorb or offset the tax impact.

2. Regulatory and Compliance Challenges

Implementing an SSB tax introduces complex regulatory and compliance challenges, especially for small businesses:

- **Product Classification Complexity:** Determining which beverages qualify as sugar-sweetened can be intricate. For instance, the Philadelphia Beverage Tax – one of the

¹ <https://nama.guerrillaeconomics.net/reports/b74f9450-4e52-463f-ac44-1edb7263955b>

few SSB taxes in the country – included a wide range of products, from sodas to flavored waters and pre-sweetened teas, leading to potential confusion and compliance difficulties.²³

- **Record-Keeping Burdens:** Small business operators would need to invest in updated systems and training to accurately track and report taxable sales, diverting resources from core business activities.
- **Distributor and Retailer Coordination:** The tax would require seamless coordination between distributors and retailers to ensure accurate tax collection and remittance, adding another layer of complexity.

3. Questionable Efficacy in Reducing Sugar Consumption

Evidence on the effectiveness of SSB taxes in reducing sugar consumption and improving public health outcomes is mixed. Studies have shown that consumers may substitute taxed beverages with other high-calorie, untaxed alternatives, undermining the intended health benefits.

Moreover, research indicates that while there may be a reduction in the purchase of taxed beverages, the overall impact on calorie intake and health outcomes remains inconclusive.⁴

4. Regressive Nature of the Tax

SSB taxes are inherently regressive, disproportionately impacting low-income consumers. Individuals in lower-income brackets spend a higher percentage of their income on consumable goods; thus, the tax would place an additional financial burden on those least able to afford it.

In Philadelphia, the tax led to increased beverage prices, with the cost being passed on to consumers, exacerbating economic disparities.⁵

5. Potential for Unintended Consequences

The implementation of SSB taxes can lead to unintended consequences, such as:

- **Cross-Border Shopping:** Consumers may choose to purchase beverages in neighboring states without the tax, leading to revenue losses for local businesses, and ultimately lower revenues for the state.
- **Revenue Shortfalls:** The state may face budget shortfalls if SSB consumer purchases decline and the state relies on this tax as a revenue source.

Commitment to Public Health

NAMA is proud to enable Americans to lead healthier lifestyles and serve as a conduit of nutrition information for consumers. In 2019, NAMA established a public health commitment to increase the availability of ‘better-for-you’ options available to American consumers by 40 percent.⁶

² <https://www.phila.gov/services/payments-assistance-taxes/taxes/business-taxes/business-taxes-by-type/philadelphia-beverage-tax-pbt/>

³ <https://www.namanow.org/wp-content/uploads/NAMA-COMMENTS-Philadelphia-Beverage-Tax.pdf>

⁴ <https://www.mercatus.org/students/research/working-papers/regressive-effects-causes-and-consequences-selective-consumption>

⁵ Ibid

⁶ <https://namanow.org/convenience-services/public-health-commitment/>

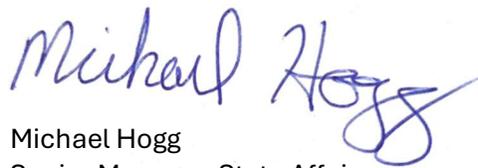
Our commitment to providing convenient and affordable food options aligns with our shared goal of fostering a healthier America. We continue to believe providing consumers with accurate and useful information enables them to make informed decisions. Instead of pursuing a SSB tax, Maryland could consider:

- **Voluntary Sugar Reduction Targets:** Encourage beverage manufacturers to gradually reduce sugar content without relying on artificial sweeteners or offer more better-for-you products.
- **Nutrition Assistance Programs:** Expand access to healthier foods and beverages in food deserts.
- **Retailer Incentives:** Offer grants or tax savings to retailers that prominently display and promote better-for-you beverage options.

Conclusion

While NAMA supports initiatives aimed at improving public health, we believe that the proposed sugar-sweetened beverage tax would not effectively achieve its health objectives, would impose undue economic hardships on small businesses, and would disproportionately impact low-income consumers. We advocate for alternative approaches that promote balanced diets and healthy lifestyles without resorting to punitive taxation measures.

Thank you for your consideration today on National Vending Day. I am available at mhogg@namanow.org to answer any questions and engage in further discussion on this critical issue.



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