

gallon, effective July 1st, 1954. At the present time the State receives the entire tax without any allocation to local subdivisions. The Bill provides that fifty cents of the proposed \$1.50 per gallon tax shall be remitted to local subdivisions. The net effect of this proposal would be a loss of State revenue of at least \$800,000.00 per year.

It is suggested that the great benefits to flow from a uniform State-wide tax, eliminating the special tax powers of Baltimore City and Baltimore County, would actually increase liquor sales and prevent loss of revenue to the State. Not only is such a contention highly speculative, but it completely ignores the repeated arguments made by the very same interests which sponsor this legislation, that high taxes are adversely affecting the sale of liquor. It is inconceivable that an increase of the liquor tax in most of the counties of the State could possibly have any tendency to increase sales in those areas.

At most, if it is desired to collect additional monies for all of the local subdivisions by means of a State-wide liquor tax, the State's share of the tax should not be reduced below its present level. This could have been accomplished either by increasing the tax throughout the State to \$1.75 per gallon, or by providing that from the presently proposed increase all of the local subdivisions would receive allocations on the basis of twenty-five cents per gallon, instead of fifty cents.

In the last analysis, the reduction of the State's share of the tax on alcoholic beverages requires the absorption of the loss of revenue from other general tax funds. Even if increased sale of liquor were to hold State revenues from this tax at their present level, it would mean that the additional tax funds available from this source, *but for this Bill*, would *not* be available for use in reduction of general taxes, such as the income tax or the sales tax. The possibility of such general tax reduction is much more desirable in my opinion than a reduction of the State's share of its liquor tax revenue, while at the same time increasing the cost to the ultimate purchaser.

Respectfully,

(s) THEODORE R. MCKELDIN,

Governor