

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 17-20

Carryout Bag Tax - Suspension

SUMMARY

The Office of Legislative Oversight (OLO) expects Expedited Bill 17-20 (introduced on March 31, 2020) to have an insignificant impact on the economy in Montgomery County, Maryland.

BACKGROUND

Disposable plastic bags have been a major source of litter in the County's waterways.¹ To address this environmental problem, the Council enacted the "Carryout Bag Law" (Bill No. 8-11), which has been in effect since January 1, 2012.² The law established a tax on disposable carryout bags in the County to incentivize consumers and retailers to reduce their use of disposable bags.³ For each disposable bag a retailer provides to a customer, the customer pays a 5-cent charge. Of the 5 cents, retailers retain one cent to cover administrative costs associated with collecting and remitting the tax to the County.⁴ The revenues are deposited into the County's Water Quality Protection Charge fund.⁵ In this way, the law shifts "the burden of litter cleanup costs from public taxpayers to consumers who have a choice to avoid the 5-cent charge by bringing reusable bags."⁶

With the arrival of the novel coronavirus pandemic to the United States, retailers have expressed concern about the potential for reusable bags that customers bring inside their establishments to spread the virus to workers and other customers.⁷ As part of a national trend, some retailers in the County have prohibited customers from using reusable bags.⁸ As a result, customers of these establishments are unable to exercise their consumer choice by bringing their own bags and avoiding the tax. Expedited Bill 17-20 would

¹ Bill Turque, "A Maryland County's Nickel Tax For Plastic Bags is Paying Off, But Not As Planned," *Washington Post*, July 4, 2016, https://www.washingtonpost.com/local/md-politics/a-maryland-countys-nickel-tax-for-plastic-bags-is-paying-off-but-not-as-planned/2016/07/04/5b6acbc0-3e28-11e6-84e8-1580c7db5275_story.html (accessed April 10, 2020).

² Montgomery County Council, Bill 8-11 Taxation – Excise Tax – Disposable Carryout Bags.

³ Michael Faden, Memorandum, Action: Bill 8-11, Taxation - Excise Tax - Disposable Carryout Bags. Montgomery County Council, May 3, 2011, 1.

⁴ Montgomery County Code § 52-102 (a) and (c).

⁵ Montgomerycountymd.gov, Montgomery County's Carryout Bag Law, <https://www.montgomerycountymd.gov/bag/> (accessed April 10, 2020).

⁶ Ibid.

⁷ Nathan Bomey, "Plastic Bag Bans Reversed: States, Cities, Stores Are Suddenly Banning Reusable Bags During Coronavirus," *USA Today*, April 8, 2020, <https://www.usatoday.com/story/money/2020/04/08/plastic-bag-bans-reversed-coronavirus-reusable-bags-covid-19/2967950001/> (accessed April 10, 2020).

⁸ Montgomery County Council, Expedited Bill 17-20 Carryout Bag Tax - Suspension. March 31, 2020, 3.

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suspend the carryout bag tax until fifteen days after the state of emergency issued by Governor Hogan ceases.⁹

INFORMATION, ASSUMPTIONS and METHODOLOGIES

No methodologies were used in this statement. The assumptions underlying the claims made in the subsequent sections are based on the judgment of OLO staff. The core assumption made in this analysis is that the temporary removal of the disposable bag tax would have no impact on consumer demand.

VARIABLES

The variables that could affect economic impacts in the County are the following:

- Number of retail establishments that have prohibited the use of reusable bags
- Number of disposable bags used by customers
- Amount of disposable bag litter
- Cost of disposable bag litter cleanup

IMPACTS

Businesses, Non-Profits, Other Private Organizations

Workforce, operating costs, property values, capital investment, taxation policy, economic development, competitiveness, etc.

OLO believes that Bill 17-20 would have little to no impact on County private organizations in terms of the Council's priority indicators, namely workforce, operating costs, capital investments, property values, taxation policy, economic development, and competitiveness.

Residents

Employment, property values, taxes paid, etc.

OLO believes that Bill 17-20 would have little to no impact on County residents in terms of the Council's priority indicators, namely employment, property values, and taxes paid.

WORKS CITED

Bomey, Nathan. "Plastic Bag Bans Reversed: States, Cities, Stores Are Suddenly Banning Reusable Bags During Coronavirus." *USA Today*, April 8, 2020. <https://www.usatoday.com/story/money/2020/04/08/plastic-bag-bans-reversed-coronavirus-reusable-bags-covid-19/2967950001/>.

Faden, Michael. Memorandum. Action: Bill 8-11, Taxation - Excise Tax - Disposable Carryout Bags. Montgomery County Council. May 3, 2011

Montgomery County Code § 52-102 (a) and (c).

⁹ County Council, Expedited Bill 17-20. 2.

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CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) drafted this economic impact statement.