



## Proposed industrial energy tax rankles manufacturers Levy is latest budget battle in City Hall



The Domino Sugars sign may be turned off in protest if the city passes an industrial energy tax, the company says. (Gene Sweeney Jr., Baltimore Sun / June 8, 2010)

By Andrea K. Walker, The Baltimore Sun  
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A proposed energy tax on industrial buildings in the city has rankled area [manufacturers](#) and sparked the latest budget battle in City Hall.

Supporters of the levy, which could be voted on today, defend the plan and say it spreads the burden of solving the city's budget woes to more than one industry. Some backers say it could eliminate the need for a controversial bottle tax.

The issue illustrates the dilemma of closing a \$121 million shortfall in the \$2.2 billion budget during one of the worst economic times in the city's history, when no group wants to see its taxes increased.

"Everyone is screaming about having to step up to the plate and having to give more," said Councilwoman Helen L. Holton, who plans to propose the energy tax. "This is a very difficult time for the city. Anyone that is in the city should participate in some way above and beyond what their current load is."

The proposal prompted Domino Sugars plant manager Stu FitzGibbon to threaten to turn off the company's landmark sign at the Inner Harbor as a "symbolic gesture" in protest. "It's an absolute punitive tax to manufacturing because of our cost structure," FitzGibbon said.

Residents and other businesses pay the energy tax, and Mayor Stephanie Rawlings-Blake has proposed raising the rate for those payers as part of her budget fix.

[Industrial](#) buildings including factories and warehouses were initially required to pay the levy when it was created in 2004. But they were exempted a few years later as a way to keep costs down for manufacturers, who use large amounts of energy to manage their plants.

The taxation, finance and economic development committee could vote today. Holton, head of the committee, had planned to introduce an 8 percent industrial tax that would raise \$8 million as an added component to the mayor's plan. Late last night Holton softened her stance and said she was looking at a 5 percent to 6 percent tax that would be lifted after three years.

News about the proposal to resurrect the tax for industrial buildings slowly spread among manufacturers who have been calling the offices of City Council members this week.

American Sugar Refining Inc., which owns the Domino plant, spends \$18 million on energy costs a year and would pay \$1.4 million in taxes if the proposal were to pass. Labor and energy are the plant's largest costs, according to FitzGibbon. He said the energy tax would make the plant less competitive.

Scott Macdonald, managing partner at Maryland Thermoform Corp., said manufacturers already pay enough in real estate taxes, personal property taxes and other fees. Macdonald said the company, which makes plastic products and packaging, doesn't feel it gets good city services, such as police protection, for the fees it now pays.

"Aren't we paying our fair share already?" Macdonald asked. He said his company pays about \$350,000 in annual energy costs.

Rawlings-Blake also has reservations about the industrial energy tax proposal, her spokesman said.

"We are concerned about the proposal," said the spokesman, Ryan O'Doherty. "There is a reason why the exemption exists because with manufacturing the users consume much more energy so there should be an issue of equity."

The mayor presented a budget to the City Council that sought to close the deficit through service cuts and a \$50 million package of taxes and fees, of which the 4-cent tax on bottled beverages would represent \$11 million. About 250 workers would lose their jobs under the mayor's budget proposal.

"The mayor spent a lot of time coming up with the most thoughtful proposal she could," O'Doherty said. "We're not sure about a lot of these last-minute things."

But City Council members, who voted to support more than \$20 million in tax increases earlier this week, have been at odds with some of the mayor's other proposals.

The budget and taxation committee also plans to vote today on several other fees, including higher parking fees and a \$350 annual fee on hospital and university beds.

Council President Bernard C. "Jack" Young has said the industrial energy tax could be used to replace the beverage tax — a fee that many council members do not support. The bottle tax proposal drew loud protests from retailers, who say it would drive customers to the county.

A key staffer for Young said the president believes the energy tax would ensure that everybody contributes to balancing the budget.

"The biggest issue and the most important point is we really do want it to be diversified and want everyone to pay their fair share," said Michelle Wirzberger, Young's legislative director.

Manufacturers said they haven't had time to weigh in on the last-minute industrial energy tax proposal. Several company officials said they don't believe the City Council understands the economic impact the tax will have on manufacturing companies.

[Drew Greenblatt, founder of Marlin Steel Wire Products](#), said the extra cost will make it harder for companies to reinvest in the business.

"If you want me to [keep hiring people](#), growing, thriving and increasing the city's tax base, they have to be gentle on us in the middle of a recession," Greenblatt said.

Holton said she was not picking on manufacturers. She said the City Council was pressed for time and had been devising new ideas to balance the budget every day.

"This is not about driving business out; this is about where we are," Holton said. "This is for three years. Bite the bullet for three years and tighten the belt. After we are able to diversify our revenue stream, we'll pull it back.

The beverage industry would like to see the energy tax adopted instead of the beverage tax.

"The industrial energy tax from what we know is more broad-based and spread across all industries," said Ellen Valentino, executive vice president of the Maryland Beverage Association. "From a bottler's perspective, we have always been prepared to pay our fair share of taxes in the city. We do and we will."

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