



March 21, 2025

Senator Nicole Grohoski
Representative Kristin Cloutier
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

To the Members of the Joint Standing Committee on Taxation

On behalf of the members of the Maine Beverage Association, your local distributors of a variety of refreshing products including diet soda, soda, juices, sports drinks and, increasingly, water, I am pleased to offer our support of LD 1077, An Act to Exempt Drinking Water from Sales and Use Tax.

More Mainers and Americans are drinking more healthier beverages every day. Over the past twenty years, the members of the Maine Beverage Association have been part of a seismic shift in consumer beverage choice. More than 60% of the products they sell are zero calorie beverages. Consumption of bottled water has been – and continues to be - a significant part of that movement.

Similarly, our national partners have begun a series of initiatives aimed at providing our customers with more choices that have less sugar. We have partnered with the Alliance for a Healthier Generation to help fight obesity by reducing beverage calories consumed per person nationally by 20% by 2025. The elements of this program including increasing interest in and access to reduced calorie beverage choices and encouraging calorie awareness and balance at points of purchase. To that end, we have placed clear calorie labels on the front of every bottle, can and pack that we produce, information that is right at the fingertips of consumers, allowing them to make the right choice for them and their family.

Classifying plain bottled drinking water as essential aligns with efforts by the federal Food and Drug Administration, who are currently considering labeling water as “healthy.” This policy change affirms that drinking water is key to a balanced lifestyle and essential to life and would be consistent with the State’s broader health and well-being objectives. Moreover, classifying plain bottled drinking water as essential will provide some relief for consumers in a time of challenging inflation and rising concerns about PFAS in our drinking water supply.

Exempting drinking water from the sales tax also is consistent with action taken in a number of other states to exempt foods and beverages from state and local sales taxes. Roughly half have either no sales tax, tax groceries – including all the products we sell – at a lower sales tax, or exempt all groceries – including all the products we sell - from the sales tax. Illinois, Kansas, Oklahoma and Virginia have all recently eliminated the state tax on groceries, and Arkansas is currently considering a proposal to do the same.

When this Committee was considering similar legislation in 2023, we were asked to provide an estimate as to how much sales tax is generated in Maine from the sale of still, bottled drinking water (i.e. plain water - not carbonated, flavored or otherwise enhanced). Our best estimate is approximately \$3 million a year.

We arrived at that number as follows: the non-jug still water (NJSW) segment had national retail sales of \$28 billion in 2021. There is no state-by-state data available for NJSW sales. Using Maine's proportionate share of 0.41% of the United States population would put us at \$115 million in annual sales, but that number is far too high. In states where NJSW sales have been tracked generally, there are a number that purchase substantially more than the average. California is usually double national per capita rates; Florida and Texas are also well above it. Considering that a sizeable chunk of the population are in states with a much higher than average consumption, the rest of the states have to be below the average, and in some cases well below it.

In addition, northern states generally consume less bottled water. This is consistent with the consumption amounts for soda, a number that we do track for Maine (we are roughly 44th in the nation for soda consumption). The departure from the average for water consumption likely is not as significant as it is for soda consumption, but it is significant.

Given that Maine's actual share of bottled water sales is probably half as much the proportional numbers would suggest, we would put the total sales at about \$57.5 million a year x 5.5% yields \$3.1 million per year.

Thank you for your consideration of this information. I will be present at the work session should you have any questions.

Sincerely,



Newell A. Augur
Executive Director