



2 March, 2020

The Honorable Anne R. Kaiser
Chair of the Ways and Means Committee
House Office Building
6 Bladen Street
Annapolis, Maryland 21401

Re: Letter of Opposition to HB1354
Ways and Means – Sales and Use Tax – Services

Dear Chairwoman Kaiser and Members of the Ways and Means Committee;

We are writing to voice AIA Maryland's opposition to House Bill 1354 that adds interior design or decorating services in the list of Maryland's taxable services. AIA Maryland represents nearly 2000 architects in the state of Maryland, some of our members provide interior design services as a part of their practice and many members contract with Maryland Businesses for interior design services. This bill would be detrimental to the business of architecture and interior design in Maryland.

House Bill 1354 would impact Architects in a few ways.

- A majority of architecture firms across the state operate as a small business. Applying a tax to interior design if it is a part of their services would add an extra layer of accounting, increasing their overhead expenses, and reduce their already tight profit margins. To offset this burden, businesses will either need to pass this additional cost onto their clients or seek means to cut total compensation of staff.
- Many architects contract with Maryland based interior designers to work with them on projects. Determining the definition of interior design services to know what is taxed is confusing at best. Architects typically contract with multiple specialty consultants, in this scenario, some would be taxed, and some would not. Understanding, tracking and reporting taxes like this is particularly challenging, especially for the 75% or more of our firms that practices of fewer than 10 people. This cuts into already tight margins as software, training and advising services will be needed to address this imposed tax properly.
- Clients contracting for design services are very cost-sensitive and they will likely not be willing to pay an added tax for interior design services, so architects who have provided such services would see greatly diminished revenue and architects will be pushed to contract with firms outside of Maryland to be cost-competitive. Both scenarios result in a lower volume payroll taxes for the state.

This bill also affects design students. Morgan State university added an interior design baccalaureate program in 2018 to compliment the degrees available at the school of Architecture and Planning. These service taxes will diminish employment opportunities for Maryland trained interior designers and may compromise the program altogether.

Architects are committed to protecting the health, safety, and welfare of those who occupy the buildings we design. We work collaboratively with design professionals from outside to inside buildings and we work to enhance environments where occupants live, work and play. This bill imposes many challenges to architectural design professionals, and it appears that it will drive business and opportunities out of

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Maryland. AIA Maryland advocates for all architects across the state. We care deeply about the health, safety, and welfare of Maryland residents, and sensible practices applied to our profession. The repercussions of this bill are significant, affecting businesses, staff and students and we therefore respectfully ask your committee to vote NO on House Bill 1354.

Sincerely,



Matthew J. Ormsby, AIA
President, AIA Maryland

cc: Ways and Mean Committee:

Alonzo T. Washington, Vice Chair
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