MARYLAND Association of COUNTIES

House Bill 795

Gross Receipts Tax on Short-Term Lease or Rental of Heavy Equipment - Alterations

MACo Position: **SUPPORT with AMENDMENTS**

To: Ways and Means Committee

Date: February 22, 2022

From: Kevin Kinnally and Michael Sanderson

The Maryland Association of Counties (MACo) **SUPPORTS** HB 795 **with AMENDMENTS**. This bill revisits a years-old compromise on local taxation of heavy equipment with two policy changes, each with hard-to-quantify effects on local revenues. **Counties are willing to work toward a reasonable resolution on the administration of this tax, but would urge the Committee to retain the central tenets of its prior compromise.**

In 2010, legislation was introduced at the behest of the heavy equipment rental industry and ultimately passed, creating a new and unique tax regime for these companies. The companies sought an alternative to paying Maryland's personal property taxes on their equipment. That legislation created a new gross receipts tax with a year-end "true-up" as a means to retain stable local revenues but still address industry goals. HB 795 seems to alter the 2010 compromise in two ways. Both are difficult to assess fully without clear data to measure their potential impacts.

First, HB 795 would excuse governmental end users from bearing the gross receipts tax on their bill or receipt. This would interrupt the revenues generated from this local source and upend the very framework of a gross receipts tax—different from a sales tax as the payor is not merely a collector, but the agent directly responsible for the tax. The gross receipts tax was selected as the means to replace the property tax (which is indifferent to what entity rents the heavy equipment) as the most direct analog to the prior tax structure.

Second, HB 795 eliminates the year-end true-up calculation. While industry data is not readily available, multiple counties report these payments being material. This is not merely removing a defunct provision in law, and its importance would surely grow once coupled with the potentially broad exemption granted to all governmental entities.

Even without a specific dollar amount, HB 795 would have a meaningful effect on county revenues needed to support education, public safety, infrastructure, and essential services.

HB 795 would undermine a policy compromise previously reached in the General Assembly. If the Committee and the General Assembly would seek to alter the nature and burden of this tax, counties would urge a **FAVORABLE** report on HB 795 **with AMENDMENTS** that retain the security of the local revenue stream, but provide whatever administrative or record-keeping relief that a modification might offer to the affected industry.

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