

March 7, 2024

The Honorable Vanessa Atterbeary
Chairwoman, House Ways and Means Committee
Room 131, House Office Building
Annapolis, Maryland 21401

RE: MBIA Letter of Opposition HB 1515 Sales and Use Tax – Rate Reduction and Services

Dear Chairwoman Atterbeary,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB 1515 Sales and Use Tax – Rate Reduction and Services**. MBIA **opposes** the Act in its current version.

This bill alters the definitions of “taxable price” and “taxable service” and changes the rate of the sales and use tax. While these changes will lower the state sales tax rate in certain areas, more everyday services that weren’t taxed under previous law will now be taxed under these new provisions. This will directly impact first time home buyers and renters at a time where housing in this State is simply not affordable. Right now, we estimate that approximately 50% of new home costs are associated with services and that will only go up due to the provisions in this bill. This will only exacerbate our housing crisis and put more housing out of the price range of Maryland.

This bill will not only impact housing, it will put Maryland’s entire economy at a competitive disadvantage. A sales tax on business inputs is an additional cost of doing business in the state, which companies must either attempt to pass on to their customers or reduce their economic activity in the state. The lack of uniformity in tax laws, which in some cases may give companies in the non-taxing states, like Virginia, Delaware and the District of Columbia, a competitive advantage over Maryland since companies are discouraged from relocating to or expanding into Maryland, thereby impeding our economic growth and development.

We would also like to point out the discriminatory impact of adding a tax to services on small and emerging businesses, which often need to rely on outside services and may not be able to afford the extra service tax. Large companies on the other hand, would not have to bear these taxes, as they have in-house expertise and do not rely on outside services.

For these reasons, MBIA respectfully urges the Committee to give this measure **an unfavorable** report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

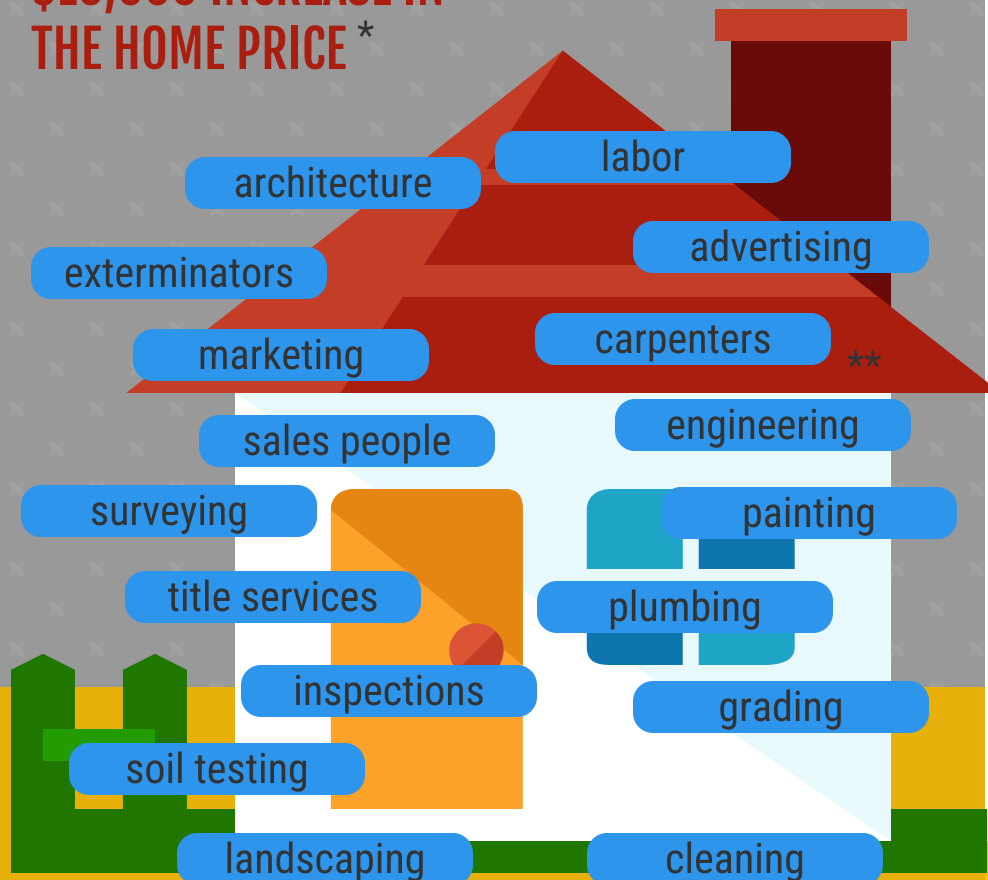
cc: Members of the House Ways and Means Committee

50% of new home costs are associated with services

On a \$400,000 home, \$200,000 of the cost is services. With a new 5% tax on services that equals a **\$10,000 INCREASE IN THE HOME PRICE** *

AFFORDABILITY FACT

A 2023 NAHB study shows that for every \$1,000 increase in the price of a median-priced new home, 2,842 Marylanders will be priced out of the market.



*These numbers are estimates. Costs vary depending on jurisdiction.

**Sampling of services utilized when building a new home.

The Proposed tax hike from HB1515 will put home ownership out of reach for even more Marylanders

A limited supply of land, a shortage of skilled labor, increased regulation and increasing material costs are all contributing to higher home prices and rents. The result? Marylanders are struggling to afford one of the most basic human needs — shelter.

At a time when Maryland is grappling with a housing affordability crisis, increasing the cost of a home, by adding a 5% tax on services, will only add to the problem.

Additional Factors Why Adding a Tax to Services will Hurt the Maryland Economy

- discriminatory impact on small and emerging businesses, which often need to rely on outside services and may not be able to afford the extra cost, while large, established companies with in-house expertise would not be taxed for the same services
- the possible pyramiding of taxes on services and final goods, which results in higher consumer costs
- A sales tax on business inputs is an additional cost of doing business in the state, which companies must either attempt to pass on to their customers or reduce their economic activity in the state
- the lack of uniformity in tax laws, which in some cases may give companies in the non-taxing states, like Virginia, Delaware and the District of Columbia, a competitive advantage over Maryland and create a competitive disadvantage, since companies are discouraged from relocating to or expanding into Maryland, thereby impeding our economic growth and development
- the fact that taxes on services are very difficult to administer for states and taxpayers alike, because the multi-state nature of customers and service providers often makes it difficult to determine where, when, and how services were utilized—in fact, four states (Florida, Michigan, Utah and Iowa) that swiftly repealed their newly enacted sales taxes on services did so in part because of the complexity of administering the taxes



Maryland Building Industry Association

Employing over 100,000 Marylanders through our member companies
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