



GREATER WASHINGTON
Board of Trade

HB1515– Sales-and-Use Tax, Rate Reduction and Services
Ways and Means
Position: **Oppose**
Greater Washington Board of Trade
March 7th, 2024

Dear Chairwoman Atterbeary and Committee Members,

The Greater Washington Board of Trade is a regional pro-business and non-partisan organization supporting all industry sectors in the District of Columbia, suburban Maryland, and Northern Virginia.

While attempts to mitigate sales tax burdens are laudable, the reduction of the sales tax rate at the expense of expanding its scope to include many already expensive, often unexpected, life changing costs to everyday Marylanders is not viable means to that end. Imposing sales tax on childcare, already out of reach for many as childcare costs continue to climb, will bring down labor rate participation among young households and further perpetuate economic inequality across both class and gender lines.

The imposition of sales tax on services like home repair, and real estate services stands to set these vital services out of reach for those who have only recently found themselves in a financial position to become new homeowners and even farther out of the reach of those suffering most from the economic instability and uncertainty of recent years. The imposition of sales tax on legal, accounting, and financial services, similarly, stands to dramatically impact the competitiveness of the state, especially as development in those sectors lags regional competitors. More generally, the dramatic broadening of the sales tax amounting to a roughly \$2.9 billion tax increase that will disproportionately impact the poorest and most at risk Marylanders, chilling spending just as the national economy is beginning to shake much of the post-pandemic malaise and economic forecasts are beginning to look up.

Hampering labor participation while ratcheting up costs of doing business in Maryland and disincentivizing spending stands to have an outsized negative impact on the business environment of the state and on the competitiveness of the region, especially as Maryland's neighbor in the region is already better performing in in labor participation.

Attempting to drive revenue through this manner of tax increase has the potential to have precisely the opposite effect by disincentivizing spending both by industry and individual residents driving down taxable revenue and slowing economic growth. Further burdening Maryland's tax paying residents and businesses rather than addressing dramatic spending per capita disparities between Maryland and the rest of the nation would be to the detriment of the business environment in the state and ultimately lead to the need for additional expenditure in concert the withering of the tax base, an unsustainable cycle.

While the objective of altering the sales and use tax structure may be to generate revenue, it is essential to critically evaluate the potential repercussions on businesses, consumers and the overall economic landscape. The unintended consequences of these alterations could outweigh the perceived benefits, warranting careful consideration and a comprehensive examination of alternative solutions to address fiscal concerns without compromising economic stability. The Greater Washington Board of Trade respectfully asks you to oppose this legislation