Marriott

Marriott International, Inc.
Corporate Headquarters

7750 Woodmont Avenue
Bethesda, MD 20814

HOUSE BILL 1515:
SALES AND USE TAX- RATE REDUCTION AND SERVICES
HOUSE WAYS AND MEANS COMMITTEE

STATEMENT OF OPPOSITION

March 11, 2024

Marriott International, Inc. is a global lodging leader headquartered in Bethesda, Maryland. Since its founding in the 1920s as a small restaurant chain in Washington, DC, the company has grown to comprise more than 8,000 lodging properties in 129 countries and territories, including over 100 hotels and 10,000 associates here in the State of Maryland.

Marriott opposes HB 1515 and respectfully requests an Unfavorable report from the committee.

As a practical matter, a tax on services functions as a tax on business inputs and in-state production of intangible – but vital – goods. In our case, Marriott's corporate headquarters in Bethesda produces the operational infrastructure supporting a global network of hotels. This includes reservation, management, technology, loyalty and legal services sold as a bundle of professional services to hotel owners in Maryland and around the world. Many of the costs we bear in creating and maintaining these offerings stem from services procured in Maryland that form the foundation on which this network can operate soundly across the world.

From a competitive standpoint, HB 1515 would put Marriott at a pricing disadvantage compared to other hotel brands as we look to sell our services to hotel owners around the world. If Virginia-based Hilton Worldwide can procure these inputs from vendors without a 5% surcharge, they could in turn offer hotel owners a more attractive price on their management services package.

The ripple effect of increasing costs on operations within Maryland alone bears emphasis as well. HB 1515 would conceivably apply the sales tax to hotel management fees, in which case disrupting long-term management contracts that are vital to hotel operations. These contracts that are structured around a variety of revenue metrics and the legislation would up-end critical financial assumptions within the agreements ultimately harming our partners, many of whom are small business owners.

Taxing services is widely considered to be difficult to administer, which is why states like Florida, Massachusetts, Michigan and Iowa have repealed past efforts to enact such a tax. Extending the sales tax to business services, especially those used by entities operating in multiple jurisdictions, creates significant compliance costs for both taxpayers and state tax administrators. There are a variety of administrative concerns to consider with such taxes, including how to source business services and interpreting what is taxable. As written, there is concerning ambiguity in HB 1515 given the broad language used to define "taxable service" and lack of clarity around sourcing.

Marriott's longstanding presence in Maryland has helped sustain a diverse ecosystem of in-state businesses that provide a range of services in support of our operations. Given the scale of our annual spending, a tax on all services could require us to carefully reevaluate our purchasing here in Maryland.

We support the state's efforts to adequately fund a robust statewide network of public services, however HB 1515 would serve as a major setback to Maryland's economic prospects and hamper Maryland-based companies that engage in tight competition across the country and around the world.

We urge an Unfavorable report and appreciate your consideration.

Contact:
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