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Maryland General Assembly  
Ways and Means Committee  
90 State Circle  
Annapolis, MD 21401

RE: **Opposition to House Bill 1515**

Dear Chairwoman Atterbeary, Vice Chair Wilkins, and Member of the com:

As an owner and operator of a small business in the Annapolis area, I am writing to **express my strenuous opposition to House Bill 1515 ("HB 1515")**.

While HB 1515 proposes to lower Maryland's state sales tax rate from 6% to 5%, it would simultaneously expand the sales tax to a wide variety of everyday services that have never been taxed before, including, but not limited to:

- Legal services
- Accounting and financial planning services
- Real estate services
- Shipping and delivery services
- Auto mechanic services
- Grocery delivery services
- Home repair and improvement services
- Home cleaning and mold remediation services
- Landscaping and tree removal services
- Dry cleaning and laundry services
- Nail salon, barber shop and beauty salon services
- Veterinary and pet grooming services
- Funeral services

This enormous expansion would result in severe economic impacts on Marylanders, local businesses, and our state's competitiveness.

#### **Disproportionate Impact among Marylanders**

Taxing services will disproportionately impact those Marylanders who can least afford it. The proposed tax rate is the same for all consumers, regardless of their income. If more services become taxable, a larger percentage of the disposable income of lower-income Marylanders than that of higher-income Marylanders will be consumed when patronizing local businesses.

Additionally, taxing services increases the potential for services and goods to be taxed more than once, leading to higher consumer costs.

**Disproportionate Impact on Small Businesses**

Small businesses typically rely on outside services (legal, accounting, etc.) while larger companies can utilize in-house expertise, resulting in small and start-up businesses disproportionately bearing the burden of the newly taxable services.

Additionally, service providers, many of whom are independent contractors or small business owners, will now have to face a new administrative burden. As the Maryland Association of Certified Public Accountants (CPAs) noted, other states, such as Florida and Michigan, have attempted to tax a broad range of services only to quickly repeal them due to the complexity of administration, among other reasons.

**Negative Impact on State Competitiveness**

States with service taxes are at a disadvantage when it comes to competing with states that don't tax services. HB 1515 would discourage the use of Maryland services, as well as discourage companies seeking to expand or relocate here. None of our competitor states in the region broadly tax services. In fact, only Hawaii, New Mexico and South Dakota do.

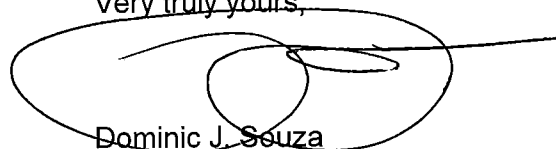
**Widespread Opposition**

Representatives from the small business community are concerned about the impact HB 1515 would have on their ability to create jobs, grow and thrive in Maryland, and many professional organizations have expressed their opposition to HB 1515, including the Maryland State Bar Association (MSBA), Maryland Chamber of Commerce, National Federation of Independent Business (NFIB), Maryland Retailers Association, Maryland Association of Certified Public Accountants (MACPA), AAA Mid-Atlantic, and Associated Builders and Contractors (ABC).

As stated by Mary D. Kane, President and CEO of the Maryland Chamber of Commerce, "Taxing everyday services that Maryland residents and small businesses rely upon would have a devastating impact on Marylanders, the small business community and our state's economy."

Consequently, I urge the Ways and Means Committee issue an Unfavorable Report and for all legislators to reject House Bill 1515. Thank you for your attention to this matter.

Very truly yours,



Dominic J. Souza