

I am sending testimony on behalf of Chesapeake Holistic Health Center, a business that is still trying to recover for the disastrous effect of Covid restrictions. And, on behalf of every day working Marylander that is trying to keep their head above water in this horrible economic condition. As if everyone isn't struggling enough, it's appalling that this bill is even in consideration.

House leadership has previously been adamant that an increase or expansion of sales, income and/or property taxes would not be necessary to pay for implementation of the Blueprint for Maryland's Future education plan. However, HB 1515 would result in a massive tax increase of \$2.6 billion for Marylanders, the largest single tax increase in state history. That's \$2.6 billion out of the pockets of hardworking small business owners and their families in Maryland—and a devastating blow to economic growth.

The bill would lower the sales tax from 6% to 5%, but would expand that 5% sales tax to everyday services that have never been taxed before, including, but not limited to: • Dry cleaning; nail salons • Online job posting services • Home repair and improvement • Barber shops; beauty salons • Transportation; towing; parking • Shipping and delivery services • Auto mechanics • Funeral services • Advertising; PR; printing; media streaming • Legal services; appraisal services • Grocery delivery • Gym memberships; personal training • Accounting; financial planning • Veterinary services; pet grooming • Mold remediation; home cleaning • Landscaping; tree removal • Real estate services • Closed-captioning services HB 1515: Sales-and-Use Tax, Rate Reduction and Services Taxing services of all kinds would result in the following destructive consequences:

1. Discrimination against small and fledgling businesses. Small firms typically need to rely on outside services (legal, accounting, etc.) while larger companies can usually rely on in-house expertise that can provide these newly taxable services for no sales tax cost. Small and emerging companies will have to incur additional costs just to do business and to implement new tax-reporting mechanisms, which will limit their growth.

2. Pyramiding taxes. Taxing services increases the potential for services and goods to be taxed more than once and for businesses to raise their prices, which leads to higher consumer costs. How much more can the average family afford??

3. Competitive disadvantage. States with service taxes are at a disadvantage when it comes to competing with states that don't tax services. HB 1628 would discourage the use of Maryland services, as well as discourage companies seeking to expand or relocate here. Note that none of our competitor states in the region broadly tax services. In fact, only Hawaii, New Mexico and South Dakota do

4. Taxing services will disproportionately affect those who can least afford it!! The tax rate is the same for all consumers, no matter their income. If more services become taxable, a larger portion of the disposable income of lower-income individuals than that of higher-income individuals will go toward sales taxes.

5. Administrative burden. Service providers, many of whom are independent contractors or small business owners, will now have to face a new administrative burden. Again, how much burden to you expect one can take?

Imposing taxes on everyday services should not be looked to as a solution for the reasons we've outlined above. For the economic security of our organizations and all Marylanders, we strongly urge the General A to reject this burdensome legislation!