

March 7, 2024

The Honorable Vanessa E. Atterbeary, Chair
And Distinguished Members of the
House Ways and Means Committee
131 House Office Building
Annapolis, MD 21401-1912

Re: Opposition to House Bill 1515, Expanding Sales Tax to Services

Dear Madam Chair and Members of the Committee:

On behalf of Liberty 24-7 and Valley 24-7 Carwashes, we respectfully oppose HB 1515, Sales and Use Tax – Rate Reduction and Services.

Increasing the customer's cost to wash his/her car professionally is bad for the environment. All of the wastewater at our facilities is treated before it enters the sanitary sewer system. Forcing the carwash customer to pay more will discourage patronage and encourage driveway washing. The wastewater from driveway washing runs into the storm sewer and flows untreated into our streams and rivers and then into the Chesapeake Bay. This is bad public policy and will cost the State of Maryland more to clean-up in the long run.

The Bill imposes a special hardship on self-serve, in-bay and express tunnel carwash operators, all of whom collect money through automated money acceptors. It is impossible to collect a sales tax through the coin slot. Even the latest equipment does not permit us simply to add a sales tax to the price of the service. Our coin mechanisms typically accept quarters, tokens and dollar coins, but not dimes, nickels or pennies. Our dollar bill acceptors typically accept \$1's, 5's, 10's and 20's. Most equipment is geared to 25 cent increments. Thus, if a self-serve wash is \$2 for 4 minutes, the customer inserts bills or coins to begin the wash cycle. It is not feasible to collect an additional 10 cent sales tax from the customer. If an automatic or express wash is \$8, the customer inserts bills or coins for the wash package, and there is no feasible mechanism to collect an additional 40 cents sales tax. Self-serve meter boxes do not make change. Automated pay stations give back only 1 coin, quarters or dollars. To comply with the proposed law, an operator would have to pay the tax out of gross revenue. The tax would thus become, in effect, a gross receipts tax paid by the operator, not a sales tax paid by the customer.

Unlike much of the retail industry, carwash operators have always been very reluctant to raise their prices. Often the price of a carwash will remain the same for 4-7 years. We absorb the costs of doing business that go up every year; including electricity and health insurance for our employees. Most operators raise their prices only when they upgrade their facility and offer new services to the customer. Recent increases in the minimum wage have necessarily led to price increases. An additional 5% bump in the cost to wash one's car will be felt by our customers. The imposition of a gross receipts/sales tax now would hit us hard.

We feel certain that the regressive impact on ordinary people's disposable cash will hurt our business. Our service is always a discretionary purchase. We respectfully ask you, as legislators, to refrain from exacerbating an already difficult situation.

Sincerely,

Jordan Rosner

Jordan Rosner
Liberty 24-7 Carwash Owner
Valley 24-7 Carwash Owner