

LEGISLATIVE POSITION:

Unfavorable

House Bill 1628—Sales and Use Tax—

Rate Reduction and Services

House Ways & Means

Monday, March 11, 2024

Dear Chairwoman Atterbeary & Members of the Committee:

My name is Kevin Fox and I own/am VP of Same Day Xpress. House Bill 1515 would lower the sales tax from 6% to 5% but would expand it to everyday services including legal services, realtor services, home improvement, auto services—just to name a few.

A tax on services is discriminatory against small and fledgling businesses as small businesses rely on outside services (legal, accounting, etc.) while larger companies can utilize in-house expertise for these newly taxable services at no additional cost. As a result, small and start-up businesses will incur additional costs just to operate in the State. Additionally, implementation of a tax on services presents a tremendous administrative burden, particularly for small business owners. 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) pointed out in 2020, other states like Florida and Michigan have tried to tax a broad range of services only to quickly repeal them due to the complexity of administration, among other reasons.

Our small business operates on tight profit margins. The impact from this financial burden will affect our ability to reinvest and expand our business.

Besides the administrative cost, the failure to apply the taxes correctly could result in significant penalties that our small business may never recover.

Lastly, taxing a broader range of 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.

**For the above-mentioned reasons, I humbly request an UNFAVORABLE vote for HB 1515.**