



**Bill No:** HB 1515—Sales and Use Tax - Rate Reduction and Services  
**Committee:** Ways and Means  
**Date:** March 11, 2024  
**Position:** Unfavorable

The Apartment and Office Building Association of Metropolitan Washington (AOBA) represents members who own or manage more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George’s Counties.

House Bill 1515, if implemented, would lower the State’s sales tax from 6% to 5% and expand definition of taxable services for all services except those excluded in the bill. Such a change could have significant implications for the housing industry in Maryland.

Housing providers play a crucial role in providing and maintaining quality housing. They rely on a wide range of services to ensure the smooth operation of their properties. For instance, a well-managed rental community may work with property management services, plumbers, electricians, attorneys, pest control specialists, IT professionals, and other service-based businesses. However, the proposed 5% sales tax on services could significantly increase operational costs, potentially leading to deferred maintenance and reduced affordable housing options.

The National Apartment Association (NAA) analyzed the 2022 operating statements for rental properties in Maryland, with five or more units securing loans in Freddie Mac Commercial Mortgage-Backed Securities (CMBS). NAA found that for every dollar of rent:

- \$0.47 go directly to cover the property’s mortgage payments;
- \$0.27 covers operating expenses, including utilities, insurance, and ongoing maintenance;
- \$0.10 goes towards property taxes, which help fund County programs such as schools, emergency services, and more;

- \$0.09 fund employee payroll, including property management and maintenance teams;
- \$0.02 are set aside for future upgrades and repairs.

Only 0.05 cents of every dollar of rent are returned to the housing provider, and only a small portion ends up in the owner's pocket. Investors gain primarily from the value growth of their assets. Thus, the bulk of this sum is reinvested into the property or leveraged to produce new housing. Housing providers in Maryland will be forced out of business and sell their properties if the State takes action to increase the cost of providing services.

**For these reasons, AOBA requests an unfavorable report on HB 1515.** For further information, contact Ryan Washington, AOBA's Government Affairs Manager, at 202-770-7713 or email [rwashington@aoba-metro.org](mailto:rwashington@aoba-metro.org).