

## **Statement of the Maryland Forest Association**

### **On House Bill 1554 and Senate Bill 1045**

#### **Regarding a new tax on various services**

To the chair and members of the committee:

The Maryland Forests Association represents the forestry supply chain in the state, including forest landowners, loggers, and primary and secondary manufacturers. Its membership also includes a number of professional foresters.

We are certainly cognizant of Maryland's budget shortfall. However, we do not believe that a tax on business services is an inappropriate way to resolve it. Perhaps more than most, our loggers and manufacturers rely heavily on service providers, particularly mechanics, welders, metal fabricators, account engineers, and various consultants.

In Maryland, consulting foresters complete forest management plans for forest land owners. These plans spell out the landowner's objectives for their forest and the steps needed to meet them, whether for wildlife, recreation, or timber production. Often all these objectives can be accommodated if that's what the landowner desires, but basically the plans pave the way for professionally guided management to assure healthy and productive forests.

Consulting foresters typically provide this service at hourly rates or have a flat fee. These bills would impose a new 2.5% tax on the cost of these plans, which we assume the forester will collect and then periodically provide a return to the state and payment of the taxes. In addition, county foresters employed by the Maryland Forest Service can provide the same services to landowners but must also charge a fee. Would foresters employed by the state need to also collect at 2.5% tax on the fees they charge and provide a regular return to the state? That is unclear, but if that is not the case and state foresters are exempt, then that would create a disparity in the cost of preparing management plans, probably requiring the state to do more and consulting foresters do less as land owners opt for the less expensive alternative.

Consulting foresters also may charge a commission on the sale of timber from their clients if they market the timber and manage the logging process. This, too, requires the preparation of a plan but the cost of the plan and the commission for logging are generally not itemized. So, in this case it is unclear whether the tax would be charged on the commission portion of the consultant's bill or just on the cost of the management plan, which would require additional accounting steps.

We're sure that other industries and other service providers would have similar questions for their own unique circumstances. We suggest that these questions be thought through and answered well before serious consideration of a tax on various services. We therefore do not support the legislation and urge an unfavorable report from the committee.