



**Bill Title:** House Bill 1554, Sales and Use Tax - Taxable Business Services - Alterations

**Committee:** Senate Budget & Taxation

**Date:** March 12, 2025

**Position:** Unfavorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

House Bill 1554 would apply a 2.5% sales and use tax on select business services (using the North American Industrial Classification System Codes), if both the service provider, and the buyer, are business entities. These services would include consulting and accounting services. Legislative analysts estimate that the 2.5% sales tax on select business services below will raise approximately \$1B in revenue. MMHA strongly believes that this bill will have unintended consequences that will negatively impact the residents of Maryland, particularly those who are already struggling to afford housing.

Maryland is facing a severe shortage of affordable housing units, with estimates suggesting that we need upwards of 100,000 units to meet the demand. Unfortunately, House Bill 1554 will only exacerbate this problem. By imposing a new tax on certain labor and services, including those related to construction and maintenance, the cost of building and maintaining affordable housing units will increase. Housing providers cannot predict or budget for reactionary services such as pest control and snow removal; adding a tax to these services will only further strain operational costs. These costs will inevitably be passed onto the residents, making it even more difficult for them to afford housing.

Furthermore, this tax will not only affect the housing industry but also other businesses that provide essential services to residents, such as accounting, bookkeeping, and consulting services. These businesses will be forced to absorb the additional costs or pass them onto their customers, which will lead to higher prices for goods and services.

MMHA urges the committee to consider the long-term consequences of this legislation and the impact it will have on the residents of Maryland. At a time when we should be working to make housing more affordable, House Bill 1554 will only make it more expensive.

For these reasons, MMHA respectfully requests an unfavorable report on House Bill 1554.

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