



Delegate Vanessa E. Atterbeary, Chair
 Delegate Jheanelle K. Wilkins, Vice-Chair
 House Ways & Means Committee
 House Office Building, Room 131
 Annapolis, Maryland 21401

Senator Guy Guzzone, Chair
 Senator Jim Rosapepe, Vice-Chair
 Senate Budget & Taxation Committee
 Miller Senate Office Building, 3W
 Annapolis, Maryland 21401

Re: ***House Bill 1554/ Senate Bill 1045: Sales and Use Tax - Taxable Business Services – Alterations – OPPOSED***

March 10, 2025

Dear Committee Chairs and Committee Members:

On behalf of the Maryland Turfgrass Council (MTC), we write this letter in strong opposition to House Bill 1554/ Senate Bill 1045: *Sales and Use Tax – Taxable Business Services – Alterations*.

The Maryland Turfgrass Council (MTC) is a non-profit organization that represents all areas of the turf industry including golf, sports turf, sod producers, landscape, lawncare and commercial vendors and suppliers.

Similar to the legislation introduced in 2020 and last year, this legislation intends to alter the definitions of "taxable price" and expand the definitions of a "taxable service" for the purposes of imposing Maryland's sales and use tax on numerous Maryland industries and services if both the provider of the service and the buyer are business entities. As written, HB 1554/ SB1045 would mandate a 2.5% tax on landscape and non-residential building and property maintenance services.

MTC strongly opposes the passage of HB 1554/SB1045. Adding a 2.5% tax to services that include landscapers will have a negative impact on many small businesses that are already struggling to keep up with large corporations. Not all expenses can be passed on to consumers directly since the small businesses use the services themselves. This will affect the budget in many different directions, but the bottom line is the cost of business is going up in this State.

Local, small businesses will be impacted as they will have to charge their clients extra for the same amount of work, which will lead to many potential customers going elsewhere for the same work as they will be able to get it done cheaper. For lawn care and grounds maintenance companies, we provide contractual services that many businesses rely on because they can't maintain their properties on their own. The passage of this new tax will be regressive onto our industries and to many Maryland businesses using our services across the State.

Maryland Turfgrass Council (MTC) | P.O. Box 389 | St. Michael's, Maryland 21663

MTC is fully aware of the State's fiscal woes and the spending mandates legislatively enacted over the years. These mandates obligate the State to provide adequate investments, over time, to various (but important) initiatives that benefit the State and its citizens – most notably, the investments in our public education systems.

Approved by the State Legislature in 2020, the *Blueprint* promised an investment of **\$40 billion** over the next 10 years (FY2030) - equivalent to nearly \$4 billion in annual mandated spending. State taxpayers are responsible for nearly \$2.8 billion (70%) of the costs. The remaining balance will fall on the locals - Baltimore City and the counties (all 23) are responsible \$1.2 billion (30%).

Altering the Sales & Use Tax Revenues - Blueprint for Maryland:

Blueprint for Maryland's Future Fund (BMFF) Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to the BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

The Maryland Legislature has also made several controversial tax increases on Maryland's taxpayers and businesses to generate new revenue sources in the name of investing in education, public safety, and transportation.

Digital Ad Tax:

In 2021, the Maryland General Assembly passed the **digital ad tax** that imposes a tiered tax on internet ad revenue in Maryland.

Under the law, companies reporting \$100 million of gross global annual revenue are subject to a 2.5% levy. The tax increases in increments of 2.5% to a maximum rate of 10% levied against companies reporting more than \$15 billion in gross global revenue.

According to legislative analysts, the state could collect as much as **\$250 million, annually**. These funds are earmarked for the Blueprint for Maryland's Future education program.

Gaming/ Casino Revenues:

Since the establishment of Maryland's six (6) casinos nearly 15 years ago, a significant portion of those revenues have been dedicated to supporting the State's public education system. According to the data on Maryland's Lottery and Gaming website (and reports), the Maryland Education Trust Fund has received a total of **\$6.2 billion** (casino gaming revenue from 2010 through February 2025). In FY24, gaming revenue totaled **\$1.9 billion in Maryland – \$600,701,931.00 (or 30.5%) was distributed to the Maryland Education Trust Fund.**

Digital Products and Services Tax:

Effective March 15, 2021, Maryland joined the list of about 30 state-level jurisdictions that passed the **digital products and services tax**. Initially passed by the Maryland legislature in 2020 as *House Bill 932*, the law was vetoed but immediately overridden by the Maryland Legislature. Since then, Maryland's 6% sales and use tax has been applied to tangible personal property, digital products, or a taxable service; this includes things like ring tones, satellite radio, streaming services, software subscriptions, and more. This tax applies regardless of whether the subscription is billed monthly, annually, or as a one-time purchase.

Additional Fee Increases Passed Last Year:

In the waning days of the 2024 legislative session, the General Assembly successfully voted for the budget, along with the Budget Reconciliation and Financing (BRFA) Act – as a companion reconciliation measure that is working in tandem to balance the budget.

As part of their compromise, lawmakers added some transportation-related fees that will raise about **\$252 million** during the budget year. The budget included a new statewide fee of 75 cents per trip which will apply to ride-hailing services. In addition, vehicle registration fees increase, and a \$23 dollar surcharge will help pay for rising costs of the state's emergency trauma system. A \$62.50 surcharge on zero-emission electric vehicles to help make up for gas tax revenues that their owners don't pay, and there will be a \$50 surcharge on plug-in electric vehicles.

Taxes on tobacco and products also increased, including an additional \$1.25 on a pack of cigarettes. Budget analysts estimated that it will help generate about **\$91 million** for K-12 education, though that is believed to drop off due to a projected decline in tobacco use.

These are just some of the notable taxes imposed onto Marylanders in recent years by this Legislature. We caution the Maryland General Assembly to consider passing HB1554/SB1045 or any other legislative measure that will impose more draconian burdens on Maryland businesses to compensate the State's inability to exercise better fiscal prudence. At some point, the State will need to find alternative methods to support these legislative mandates and investments, because the expected revenues to sustain them by businesses and industries will have either closed or migrated to other states.

Recently, the Chairman of the House Appropriations Committee said that high income earners, businesses and corporations should and are going to pay their fair share in the state. We contend that we already are.

For these reasons, MTC opposes House Bill 1554/ Senate Bill 1045 and respectfully requests this committee to give this bill an UNFAVORABLE report.

Sincerely,



Brandon Sands, *President*
Maryland Turfgrass Council (MTC)