

Testimony of Jay Ellenby
President
Safe Harbors Business Travel Group, Inc. (Bel Air, MD)
before the
Maryland House Ways and Means Committee
March 2, 2020

- Chair Kaiser, Vice Chairman Washington and distinguished members of the committee, thank you for the opportunity to share my concerns with House Bills (HB) 1354 and 1628.
- My name is Jay Ellenby and I'm President of Safe Harbors Travel Group in Bel Air, Maryland. I'm also here on behalf of the American Society of Travel Advisors (ASTA), the national trade association for travel agencies of all shapes, sizes and business models, which has 151 member companies in the State of Maryland.
 - While I understand both the need to increase funding for education and the desire to modernize Maryland's tax system, I have serious concerns about HB 1354 and 1628, which if passed in their current form would be devastating to my business and hundreds of other Maryland travel agencies.
 - There are a number of unanswered questions about how these proposals would be enforced against travel advisors and how it would impact Maryland's travel and tourism industry that I feel strongly must be addressed before they are seriously considered.
 - For example, would the new five percent tax be applied to travel agencies' gross revenue or only to net revenue? If the former, the proposal would put every Maryland travel agency out of business or force them to move to a neighboring state, as the vast majority of travel agencies' gross revenue is made-up of so-called "flow-through" funds – that is, advisors act as a conduit for funds that legally belong to travel suppliers such as airlines, hotels and cruise lines.
 - According to ASTA's research, the average travel agency's revenue as a share of gross sales is about 10 percent. As such, you can see how devastating a tax on gross receipts would be to these businesses – the State of Maryland would be taking well over half their annual income in sales tax alone.
 - If it's the latter, would the tax apply only to service and consulting fees charged to clients, or would it also apply to commissions paid by travel suppliers (something that happens outside of the typical retail transactions)?
 - Whatever the answer to these questions, I have serious concerns about how Maryland agencies will be impacted. According to the U.S. Census Bureau, there are

276 agency retail locations in Maryland, contributing 1,139 full-time jobs to the state. These are predominantly small businesses, with 90 percent of them employing fewer than 10 people. ASTA estimates that even if HB1354/1628 are narrowly implemented – capturing agency service fees and commissions as opposed to gross sales – they would cost the average Maryland agency about \$24,800 per year in new taxes, threatening layoffs at a time of razor-thin profit margins and growing coronavirus concerns impacting travel broadly.

- Thank you for the opportunity to provide input on this critical issue. I'm happy to take any questions you might have.

Jay Ellenby
President
Safe Harbors Business Travel Group, Inc.
126 S. Main Street
Bel Air, MD 21014
(410) 547-6565 x 1408
jellenby@safeharbors.com