



LEGISLATIVE POSITION:

Unfavorable

**House Bill 1354—Sales and Use Tax-Services
House Ways & Means**

Monday, March 2, 2020

Dear Chairwoman Kaiser and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 4,500 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families.

House Bill 1354 would alter the definition of “taxable service” to include the following additional services: 1) cleaning or storage services, 2) a golf course or country club membership, 3) a marina service, 4) art moving or storage services, 5) tanning, 6) tattooing or piercing, 7) interior design or decorating services, 8) dog walking, 9) boat repair services, 10) a watch, clock or jewelry repair service, 11) scheduled or non-scheduled air transportation, 12) a travel arrangement or reservation service, and, 13) lobbying. If passed, the bill would apply the existing 6% sales tax to each of the listed services.

We believe that selecting and taxing these services is discriminatory insofar as it picks winners and losers from among industry-segments. As well, any tax on services represents discrimination against small businesses. Small and emerging companies in these industries will have to incur additional costs just to do business and to implement new tax-reporting mechanisms, which will limit their growth. Further, taxing services increases the potential for services to be taxed more than once, which ultimately leads to increased costs for business owners and consumers alike.

Perhaps most importantly, states with taxes on services are at a competitive disadvantage when it comes to competing with states that do not tax them. This bill would discourage the use of Maryland services in the named industry areas, as well as discourage businesses seeking to expand or relocate here.

Lastly, these service providers, many of whom are independent contractors or small business owners, will now have to face a new administrative burden. As the Maryland Association of Certified Public Accountants (CPAs) has pointed out, other states like Florida and Michigan have tried to tax a broad range of services only to quickly repeal them due to the complexity of administration, among other reasons

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 1354.