



To Lead, Advocate and Connect as the Voice of Business

House Bill 1628: Sales and Use Tax - Rate Reduction and Services

March 2, 2020

OPPOSE

The Montgomery County Chamber of Commerce ("MCCC"), as the voice of Montgomery County business, **opposes House Bill 1628**. This legislation drastically expands services that can be taxed in the state of Maryland – all services will be taxed except for education, healthcare, grantmaking, and advocacy. This legislation hits small businesses the hardest and will have long term negative consequences for our economy. Currently, only three states tax all professional services through a gross receipts tax: Hawaii (4 percent), New Mexico (5 percent) and South Dakota (4 percent). Five major states enacted similar legislation (Florida, Michigan, Minnesota, Massachusetts, and Utah) but had to repeal it immediately due to the complexity and costs of compliance.

Regional Economy

Commerce does not operate within jurisdictional boundaries; as technology grows, the ability to do commerce from various locations becomes more and more viable. Most small business' in Maryland would be forced to pay 5 percent more for various professional services – legal, accounting, HR, etc., and none of our neighboring states have such a tax. The tax hits small businesses in two ways: those that procure local services from Maryland companies and those Maryland businesses that provide those services.

MCCC member uses a local accounting firm because the owner realizes the importance of investing money back into the local economy. The business cannot afford an additional tax on this service as they are operating on extremely tight margins; therefore, the owner will have to use an accounting firm in Washington, D.C. or Virginia. That is lost revenue for the State and hurts the small business accounting firm. Another example is an MCCC member who owns an event planning company. If she has to tax her clients an additional 5 percent than her competitors in surrounding jurisdictions, it completely undercuts her ability to be competitive in the region.

Strategic Funding

The success of the Kirwan Commission is tied to a strong tax base and a competitive economy that can steadily fund these policies into the future. To grow our tax base, our government should continue to invest in filling our unmet housing needs and a diversified and accessible transportation system across the state. The Chamber strongly supports the proposal to create a commission to analyze and make recommendations as to how to make Maryland's tax structure more business-friendly and economically competitive. This more comprehensive and strategic approach should be adopted, rather than a series of tax "one-offs" with little understood consequences.

The Montgomery County Chamber of Commerce **opposes House Bill 1628 and respectfully urges an unfavorable report.**

Tricia Swanson, Vice President, Government Relations
Montgomery County Chamber of Commerce
51 Monroe Street, Suite 1800 Rockville, MD 20850