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**HB 1628 – Sales and Use Tax – Rate Reduction and Services
Ways and Means Committee
March 2, 2020**

OPPOSE

The Gaithersburg-Germantown Chamber of Commerce represents 430 businesses in Montgomery County. We recently celebrated our 70th Anniversary of working with our members to build a strong local economy.

With an expected \$2.6 BILLION increase in tax revenue, it is disingenuous for anyone to suggest that House Bill 1628 is a tax reduction. While the existing sales tax rate would drop from 6% to 5%, imposing a tax on service will more than make up any sales tax rate reduction.

Increased Burden from Small Business - Suggesting that this tax increase should be palatable because the majority (75%) of the increase will be absorbed by business owners is insensitive to the plight of many small businesses. Most of my members are small business owners and will be greatly impacted by this bill. Whether it's accounting services, IT services, attorney's fees, payroll service, marketing, etc., costs will increase by five percent. That might not sound like a lot to you, but many of our small businesses are working with a very tight margin. A five percent increase in cost for small businesses is an unfair burden.

Out of State Competition – Most professional services can be done from any location. At the Chamber, my IT services are done remotely, as are my accounting services and payroll services. Those services are currently done in Maryland, but they could just as easily be done if Pennsylvania, Delaware or Virginia. Businesses in Maryland will be at a competitive disadvantage with businesses in surrounding jurisdictions.

Piece Meal Approach – The first half of this legislative session, we saw a large number of tax bills to eliminate tax credits, tax digital downloads, tax digital ads, impose combined reporting, etc. All of which increase the tax burden for businesses. Does HB1628 eliminate the need for bills or pile on an additional layer of tax? HB1628 is a significant departure from our existing tax code. Before you make significant changes in how and who is taxed, there should be a comprehensive review of Maryland's current tax structure as proposed in HB0185 / SB0223 - Establishing the Commission on Tax Policy, Reform, and Fairness and HB0765 – Maryland Tax Revision Commission.

The entire premise of pushing this tax increase onto the backs of business is faulty. The local economy is not a closed loop system. Business don't just buy and sell goods and services, they employ people. People who go out and buy goods and services to support other local businesses. If businesses fail, people lose their jobs and we will erode our tax base. When that happens, we all fail.

The Gaithersburg-Germantown Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 1628.

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