Marriott

Marriott International, Inc.
Corporate Headquarters

10400 Fernwood Road
Bethesda, MD 20817

HOUSE BILL 1628:
SALES AND USE TAX- RATE REDUCTION AND SERVICES
HOUSE WAYS AND MEANS COMMITTEE

STATEMENT OF OPPOSITION

March 2, 2020

Marriott International, Inc. is a global lodging leader headquartered in Bethesda, Maryland. Since its founding in the 1920s as a small restaurant chain in Washington, DC, the company has grown to comprise more than 7,000 lodging properties in 129 countries and territories, including 98 hotels in the State of Maryland. Our hotels and corporate offices in Maryland together employ over 12,000 people.

Marriott opposes HB 1628 and respectfully requests an Unfavorable report from the committee.

As a practical matter, a tax on services functions as a tax on business inputs and in-state production of intangible – but vital – goods. In our case, Marriott's corporate headquarters in Bethesda produces the operational infrastructure supporting a global network of hotels. This includes reservation, management, technology, loyalty programming and legal services sold as a bundle of professional services to hotel owners in Maryland and around the world. Many of the costs we bear in creating and maintaining these offerings stem from services procured in Maryland that form the foundation on which this network can operate soundly.

From a competitive standpoint, HB 1628 would likely put Marriott at a pricing disadvantage compared to other hotel brands as we look to sell our management services to hotel owners around the world. In 2019, Marriott spent millions procuring professional services in Maryland from consultants, attorneys, specialists and information technology firms, among others. If Virginia-based Hilton Worldwide can procure similar inputs from vendors without a 5% surcharge, they will in turn offer hotel owners a significantly more attractive price on their management services package.

The ripple effect of increasing costs on our operations within Maryland bears emphasis as well. HB 1682 would conceivably apply the sales tax to hotel management service fees charged to hotel owners, disrupting pricing of long-term management contracts. These contracts are structured around a variety of revenue metrics and the legislation would up-end critical financial assumptions within the agreements ultimately harming our in-state owner partners, many of whom are small business owners.

Taxing services is widely considered to be difficult to administer, which is why states like Florida, Massachusetts, Michigan and Iowa have repealed past efforts to enact such a tax. Extending the sales tax to business services, especially those used by entities operating in multiple jurisdictions, creates significant compliance costs for both taxpayers and state tax administrators. There are a variety of administrative concerns to consider with such taxes, including how to source business services and interpreting what is taxable. As written, there is concerning ambiguity in HB 1628 given the broad language used to define "taxable service" and lack of clarity around sourcing.

Marriott's longstanding presence in Maryland has helped sustain a diverse ecosystem of in-state businesses that provide a range of services in support of our operations. Given the scale of our annual spending, a tax on all services could require us to carefully reevaluate our purchasing here in Maryland.

We support the state's efforts to adequately fund a robust statewide education system, however HB 1682 could hamper Maryland-based companies that engage in tight competition across the country and around the world.

We urge an Unfavorable report and appreciate your consideration.

Contact:
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