



Bill No: HB 1628—Sales and Use Tax—Rate Reduction and Services

Committee: Ways & Means

Date: 3/2/2020

Position: Oppose

The Apartment and Office Building Association of Metropolitan Washington (AOBA) opposes HB 1628. AOBA's members own or manage more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George's counties.

HB 1628 would lower the State's sales tax from 6% to 5% but would expand the sales tax to services that have never been taxed before. The proposed legislation repeals the current tax codes' definitions of "taxable service" and replaces the definition of "taxable service" to include "any activity engaged in for a buyer for consideration."

In order to provide and maintain quality housing, property owners utilize a myriad of services. A well-managed rental community employs property management services that work with a team of plumbers and electricians, attorneys, pest control specialists, IT professionals and dozens more service-based businesses. The Maryland Multifamily Housing Association analyzed expenses for approximately 8,000 apartments in varying communities. This analysis shows that imposing a 5% sales tax on services would require a housing provider to raise rents by \$1,472 per year, per unit, to cover the increased costs associated with the tax. This equals a monthly rent increase of \$122 per unit.

According to the National Low-Income Housing Coalition's 2019 "Out of Reach" report, Maryland is the 8th most expensive state for rental housing nationwide. The Council of Governments (COG) estimates that the Washington metropolitan region, including Montgomery and Prince George's County, needs 320,000 new housing units between 2020 and 2030. We know that the State needs more housing, increased affordability and market-rate rental housing for residents at varying area median incomes. At the same time, the Maryland Building Industry Association reports that 50% of residential construction costs are associated with services. As such, HB 1628 would also increase the cost of new construction and may impact housing production. Marylanders

need housing that is affordable; AOBA asks that legislators not enact legislation that will exacerbate the State's housing needs.

For these reasons AOBA urges an unfavorable report on HB 1628.

For further information contact Erin Bradley, AOBA Vice President of Government Affairs, at 301-261-1460 or ebradley@aoba-metro.org .