



Maryland Motor Truck Association

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HEARING DATE: March 2, 2020
BILL NO/TITLE: House Bill 1628: Sales & Use Tax – Rate Reduction and Services
COMMITTEE: House Ways & Means Committee
POSITION: **Oppose**

House Bill 1628 would reduce Maryland's sales tax from 6% to 5%, while expanding the sales tax to a broad base of services that anyone purchases in the state.

Included in this proposal would be **the unprecedented action of placing a sales tax on freight transportation. Maryland Motor Truck Association opposes HB1628 for the following reasons:**

- **No state imposes a sales tax on the transportation of goods or products being delivered in interstate commerce. Maryland would become the first state in the country to impose such a tax.** While Hawaii, Minnesota, New Mexico, and South Dakota have broad tax systems that include services, they do not include transportation of goods.
- There is strong potential for Federal preemption as **Congress has repeatedly made clear that interstate commerce such as trucking cannot be regulated by the states.**
- The Port of Baltimore would be severely impacted by taxes on transportation services. **The cost of doing business at the Port would automatically increase 5%** by simply adding the new sales tax on the transportation costs. In addition, motor carriers and others providing services will need to increase rates to adjust for the new costs they are now paying for other taxed services (e.g., legal, accounting).
- Shippers utilizing the Port of Baltimore can easily relocate their deliveries to competing ports where the tax burden does not include transportation services.
- Trucking companies would have an impossible situation of Maryland being an island surrounded by jurisdictions that do not tax services. **Maryland trucking companies will be at a distinct disadvantage against regional competitors in neighboring states.**
- A good or product transported to or through the state goes through multiple different tax jurisdictions making the practical reality of collecting a tax on interstate commerce related only to Maryland an administrative nightmare.
- As part of the logistics chain, a load or product may be handled by multiple companies as it moves across the country making it difficult to assess which company should be applicable to a sales tax on transportation services.
- The growth of e-commerce opens up numerous issues/questions:
 - The U.S. Postal Service, which handles more e-commerce deliveries than the major parcel delivery companies combined, is exempt from the sales tax on transportation services. This gives the USPS a competitive advantage against private companies, who employ hundreds of thousands of workers.
 - If a shipment originates in Maryland, but the delivery is to another state, is the tax collectable?
 - If a shipment originates in another state, but is delivered into Maryland, is the tax collectable?
 - For membership subscription services (e.g. Amazon Prime) that include free shipping, is any sales tax collected on the delivery service? Is a sales tax collected on the cost of the subscription?

About Maryland Motor Truck Association: Maryland Motor Truck Association is a not-for-profit trade association representing the trucking industry since 1935. In service to its 1,000+ members, MMTA is committed to supporting and advocating for a safe, efficient and profitable trucking industry across all sectors and industry types, regardless of size, domicile or type of operation.

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