



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

House Bill 1628 imposes the State sales and use tax on all services, with limited exceptions, by expanding the definition of taxable service. The bill also reduces the general State sales and use tax rate from 6% to 5% for taxable goods and services. The services subject to the sales tax are those included in the North American Industrial Classification System (NAICS), United States Manual, 2017 Edition, published by the U. S. Office of Management and Budget.

The Maryland Bankers Association represents FDIC-insured community, regional and nation-wide banks that employ more than 26,000 Marylanders, serve 6.2 million customers and hold more than \$145 billion in deposits in 1,420 branches across our State.

Our members' financial services are included in the NAICS Sector 52 – Finance and Insurance. The Finance and Insurance sector comprises establishments primarily engaged in financial transactions involving the creation, liquidation, or change in ownership of financial assets and/or facilitating financial transactions.

The Maryland Bankers Association is opposed to House Bill 1628 for the following reasons:

**While the bill specifies that a “taxable price” does not include a finance charge, interest, or similar charge for credit extended to the buyer, our members do not know how such a tax would be added and remitted on the 88 services included in the NAICS financial and insurance codes – including credit intermediation, commercial banking, leasing, deposit-taking; servicing loans; buying, pooling, repackaging loans for sale into the secondary market; clearing checks; financial transaction processing; credit card processing; underwriting securities; acting as agents between buyers and sellers of securities, and the list goes on. Further, many services are now provided via online and mobile applications, e.g. automated bill pay, remote deposit, online banking, etc. that may originate from another state. It is unclear how this bill will impact these services.**

**The fiscal note indicates that Hawaii, New Mexico, South Dakota, Washington and West Virginia tax services broadly. However, we have confirmed that banks in these states are taxed on their income and not on their services.**

**Our members are very concerned about the impact this new tax on services will have on their small business clients and specifically, it is unclear if they have the capability to collect and remit taxes on services; will their businesses be negatively impacted by service providers in other states that aren't subject to this tax, etc.**

For these reasons, we urge the Committee to give House Bill 1628 and unfavorable report.

## **NAICS Codes - Sector 52 - Finance and Insurance**

52 Finance and Insurance

521 Monetary Authorities-Central BankT

5211 Monetary Authorities-Central BankT

52111 Monetary Authorities-Central BankT

521110 Monetary Authorities-Central Bank

522 Credit Intermediation and Related ActivitiesT

5221 Depository Credit Intermediation

52211 Commercial Banking

522110 Commercial Banking

52212 Savings Institutions

522120 Savings Institutions

52213 Credit Unions

522130 Credit Unions

52219 Other Depository Credit Intermediation

522190 Other Depository Credit Intermediation

5222 Nondepository Credit Intermediation

52221 Credit Card Issuing

522210 Credit Card Issuing

52222 Sales Financing

522220 Sales Financing

52229 Other Nondepository Credit Intermediation

522291 Consumer Lending

522292 Real Estate Credit

522293 International Trade Financing

522294 Secondary Market Financing

522298 All Other Nondepository Credit Intermediation

5223 Activities Related to Credit Intermediation

52231 Mortgage and Nonmortgage Loan Brokers

522310 Mortgage and Nonmortgage Loan Brokers

52232 Financial Transactions Processing, Reserve, and Clearinghouse Activities

522320 Financial Transactions Processing, Reserve, and Clearinghouse Activities

52239 Other Activities Related to Credit Intermediation

522390 Other Activities Related to Credit Intermediation

523 Securities, Commodity Contracts, and Other Financial Investments and Related ActivitiesT

5231 Securities and Commodity Contracts Intermediation and BrokerageT

52311 Investment Banking and Securities Dealing

523110 Investment Banking and Securities Dealing

52312 Securities Brokerage

523120 Securities Brokerage  
52313 Commodity Contracts Dealing  
523130 Commodity Contracts Dealing  
52314 Commodity Contracts Brokerage  
523140 Commodity Contracts Brokerage  
5232 Securities and Commodity ExchangesT  
52321 Securities and Commodity ExchangesT  
523210 Securities and Commodity Exchanges  
5239 Other Financial Investment ActivitiesT  
52391 Miscellaneous Intermediation  
523910 Miscellaneous Intermediation  
52392 Portfolio Management  
523920 Portfolio Management  
52393 Investment Advice  
523930 Investment Advice  
52399 All Other Financial Investment Activities  
523991 Trust, Fiduciary, and Custody Activities  
523999 Miscellaneous Financial Investment Activities  
524 Insurance Carriers and Related ActivitiesT  
5241 Insurance CarriersT  
52411 Direct Life, Health, and Medical Insurance Carriers  
524113 Direct Life Insurance Carriers  
524114 Direct Health and Medical Insurance Carriers  
52412 Direct Insurance (except Life, Health, and Medical) Carriers  
524126 Direct Property and Casualty Insurance Carriers  
524127 Direct Title Insurance Carriers  
524128 Other Direct Insurance (except Life, Health, and Medical) Carriers  
52413 Reinsurance Carriers  
524130 Reinsurance Carriers  
5242 Agencies, Brokerages, and Other Insurance Related ActivitiesT  
52421 Insurance Agencies and Brokerages  
524210 Insurance Agencies and Brokerages  
52429 Other Insurance Related Activities  
524291 Claims Adjusting  
524292 Third Party Administration of Insurance and Pension Funds  
524298 All Other Insurance Related Activities  
525 Funds, Trusts, and Other Financial Vehicles  
5251 Insurance and Employee Benefit Funds  
52511 Pension Funds  
525110 Pension Funds  
52512 Health and Welfare Funds  
525120 Health and Welfare Funds  
52519 Other Insurance Funds

525190 Other Insurance Funds  
5259 Other Investment Pools and Funds  
52591 Open-End Investment Funds  
525910 Open-End Investment Funds  
52592 Trusts, Estates, and Agency Accounts  
525920 Trusts, Estates, and Agency Accounts  
52599 Other Financial Vehicles  
525990 Other Financial Vehicles