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February 27, 2020

anne.kaiser@house.state.md.us

Delegate Anne R. Kaiser  
Chair, Ways and Means Committee  
Room 131  
House Office Building  
Annapolis, Maryland 21401

**Re: House Bill 1628**  
**Sales and Use Tax – Rate Reduction and Service**  
**Hearing Date: March 02, 2020**  
**Position: Oppose**

Dear Delegate Kaiser and Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with condominiums, homeowners associations, and cooperatives throughout the State of Maryland.

MD-LAC opposes HB1628. This bill seeks to raise money for education through an amended sales and use tax that will add to existing law a “Taxable Service” which means any activity engaged in for a buyer for consideration. If passed, this law would reduce the sales tax in Maryland from the current 6% to 5%, but would apply a 5% use tax to many of the services used by community associations across the state, including property management, pool management, legal, landscaping, snow removal, security, trash pickup, and a host of other services. Associations spend some \$1.8 billion each year maintaining their communities, and this tax would add thousands of dollars to a single community association’s budget, approximately \$90,000,000 in tax collectively, and would invariably affect condominium and homeowners association fees for association members.

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**Community Associations Institute**

The negative financial impact this tax will add to condominium and homeowners association budgets and collections would be staggering. Many of Maryland's 6,700 community associations already struggle to operate against a number of factors including unpaid homeowner assessments, bankruptcies, foreclosures, building deficiencies and expensive upkeep in aging buildings, weather-related problems, equipment failures and the rising costs of necessary services. Many of Maryland's condominium owners are first-time home buyers who've saved enough to purchase their home, but cannot keep up with increasing condominium or homeowner association fees year after year. Consider, too, that nearly 9,000 of Maryland's residents live in Leisure World, a 55 and over community of predominantly fixed-income residents.

Further, we would ask that the Committee review the hard costs of a service tax. The combined tax for services used by one association in Odenton, for example, would be approximately \$82,405. Another large-scale Association in Rockville, with a snow removal budget of \$500,000, would see a tax for that service alone soar an additional \$25,000. Some associations would see their monthly assessments increase more than \$400. For one Association with a mix of 578 townhomes, single family homes, condominium units and a pool and playground, the tax on services would be \$24,000; the tax for a 244-unit condominium with no amenities would be around \$22,000 just in operating costs. There would also be services taxed on the Associations' reserve expenditures such as roof, gutter and siding replacements, asphalt and concrete replacements, etc. which would be thousands of more dollars added to their budgets. Ultimately, many associations will be forced to re-evaluate or defer services in any given year in order to accommodate a substantial tax assessed for unavoidable services. Long-term deferral of services most certainly would result in property deterioration, reduced property values and a reduction in services. Those associations that cannot avoid a necessary service would have to somehow add this tax to their annual budgets resulting in increases in condominium fees.

While CAI understands the critical need to fund education, we do not believe the legislature has given enough consideration to the impact of this tax on our many residents, and the impact would be enormous and widespread: Approximately 1,350,000 Marylanders live in 515,000 homes in 6,700 community associations.

Accordingly, the MD-LAC respectfully requests that the Committee give HB1628 an unfavorable report. We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at [lisa.jones@mdlobbyist.com](mailto:lisa.jones@mdlobbyist.com); Charlene Morazzani Hood, Vice Chair of the MD-LAC at 410-654-4444, or via email at [smorazzani@residential-realty.com](mailto:smorazzani@residential-realty.com); Marie Fowler, Treasurer of the MD-LAC at 301-596-2600, or via email at [mfowler@cviinc.com](mailto:mfowler@cviinc.com); or Steven K. Randol, Chair of the MD-LAC, at 410-695-2183 or via email at [srandol@pineyorchard.com](mailto:srandol@pineyorchard.com).

Sincerely,

*Charlene Morazzani Hood*

Charlene Morazzani Hood  
Vice Chair, CAI MD-LAC

*Steven Randol*

Steven Randol  
Chair, CAI MD-LAC