



**Bill Title:** House Bill 1628, Sales and Use Tax - Rate Reduction and Services

**Committee:** Ways & Means

**Date:** March 2, 2020

**Position:** Unfavorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

Under House Bill 1628, the State's sales tax would be reduced by one penny. It would then be extended to all services, with the exception of food, medicine, medical services, educational services, social work and nonprofits. Within our industry, House Bill 1628 would impose a 5% sales tax on multiple services needed in the multi-family industry.

In evaluating the impact of House Bill 1628, MMHA analyzed expenses for approximately 8000 apartments in varying apartment communities. Adding a 5% sales tax to services will have a massive impact on rents across the state. Based on our data, a rental property owner will need to raise rents by \$1472 per year per apartment to cover the costs associated with this sales tax expansion. That is \$122 per month per renter.

The unforeseen types or services that are caught up in the tax are noted below:

1. Property Management Services. House Bill 1628 imposes a tax on rent and property management services. Property management services include grounds maintenance, snow removal, safety patrols, extermination, painting and similar services.
2. Administrative Services. Multi-family housing, like any other business, has legal, training, advertising and other similar expenses.
3. Impact on Unit Turnover. This bill imposes a tax on services related to "turning over" an apartment. Whether it's carpentry, painting or plumbing, House Bill 1628 will result in increased costs for this important industry function. In many cases it also results in double taxation as many of the items used to "turn over" a unit are purchased and taxed at time of purchase and then are taxed once again when the service is performed by the property manager.
4. Repairs and Maintenance Services. To preserve the asset, property owners must invest and make repairs. Plumbing, roofing, flood, HVAC and repair comprise a portion of a community's service-related expense.

House Bill 1628 will increase expenses. As it stands, the National Low-Income Housing Coalition ranks Maryland as the 7th most expensive state for rental housing in the country. At a time when housing affordability is a significant challenge, passage of this bill will exacerbate the problem. It is instructive



that Connecticut which enacted a sweeping tax on services in 2002, specifically excluded the rental of residential real property from the tax.

Property taxes, transfer taxes, recordation taxes, recordation fees, capital gains taxes, excise taxes, licensing and inspection fees, environmental and impact fees: whatever you call it, Maryland real estate is already taxed more than any other business activity. Such a tax discourages or inhibits in any way the maintenance of decent affordable rental housing

With a huge affordability problem enveloping the state we urge our elected officials to not be on the forefront of exacerbating this affordability problem, please find a different source of funding.

For these reasons, MMHA therefore respectfully requests an **unfavorable report** on House Bill 1628.

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