



550 Ritchie Highway, #271  
Severna Park MD 2116  
[ptroy@nextwavegroup.net](mailto:ptroy@nextwavegroup.net)  
[www.mcacarwash.org](http://www.mcacarwash.org)

March 2, 2020

The Honorable Anne R. Kaiser, Chair  
And Distinguished Members of the  
House Ways and Means Committee  
131 House Office Building  
Annapolis, MD 21401-1912

Re: Opposition to House Bill 1628, Expanding Sales Tax to Services

Dear Madam Chair and Members of the Committee:

On behalf of the carwash industry in Maryland, we respectfully oppose HB 1628, Sales and Use Tax – Rate Reduction and Services. The Mid-Atlantic Carwash Association represents over 150 carwash operators and distributors in the mid-Atlantic region, many in Maryland. Our members and others operate approximately 250 self-serve and in-bay automatic carwashes and an additional 200 tunnel carwashes in the state of Maryland.

Increasing the customer's cost to wash his/her car professionally is bad for the environment. All of the wastewater at our facilities is treated before it enters the sanitary sewer system. Forcing the carwash customer to pay more will discourage patronage and encourage driveway washing. The wastewater from driveway washing runs into the storm sewer and flows untreated into our streams and rivers and then into the Chesapeake Bay. This is bad public policy and will cost the State of Maryland more to clean-up in the long run. A 2009 study by the City of Federal Way (on Puget Sound) concludes:

"Given both the nature and concentration of the pollutants found in the car washwater tested, it is apparent that significant quantities of stormwater contaminants are generated annually from residential car washing activity in Federal Way. Stormwater carries these pollutants – soapy water and all – to storm drains in urban areas, which then flow to surface waters with little or no water quality treatment.... This study demonstrates that while any single residential car wash might be considered inconsequential with respect to its contribution to the pollutant load being delivered to the MS4 [Municipal Separate Storm Sewer System], however, when extrapolated over the entire City of Federal Way for a year, the pollutant loadings becomes (sic) more significant." <sup>1</sup>

Professional carwashes serve an important, if unappreciated, environmental function. We clean the water used to clean your car. There are over 5 million cars and trucks registered in Maryland.<sup>2</sup> Applying the assumptions and findings of the City of Federal Way study, that means there are over 34 million driveway carwashes per year in Maryland. The estimated annual contaminant load is:

---

<sup>1</sup> Residential Car Washwater Monitoring Study. City of Federal Way, Washington, Public Works, Surface Water Management. 2009. <http://wa-federalway.civicplus.com/DocumentView.aspx?DID=681>

<sup>2</sup> MVA Annual Report, 2017, page 20.

**Estimated Annual Contaminates in Maryland**

Petroleum Hydrocarbon Waste	<b>14,657</b>	gallons
Phosphorus & Nitrogen	<b>30,856</b>	pounds
Ammonia	<b>4,628</b>	pounds
Surfactants	<b>169,707</b>	pounds
Solids	<b>2,314,189</b>	pounds

Clearly, increasing the contamination from driveway washing is not in the public interest.

To underscore the importance of clean water to the professional car wash industry, our members have contributed over \$80,000 to the Chesapeake Bay Foundation through our Wash to Save the Bay program over the last 8 years.

The Bill imposes a special hardship on self-serve, in-bay and express tunnel carwash operators, all of whom collect money through automated money acceptors. It is impossible to collect a sales tax through the coin slot. Even the latest equipment does not permit us simply to add a sales tax to the price of the service. Our coin mechanisms typically accept quarters, tokens and dollar coins, but not dimes, nickels or pennies. Our dollar bill acceptors typically accept \$1's, 5's, 10's and 20's. Most equipment is geared to 25 cent increments. Thus, if a self-serve wash is \$2 for 4 minutes, the customer inserts bills or coins to begin the wash cycle. It is not feasible to collect an additional 10 cent sales tax from the customer. If an automatic or express wash is \$6, the customer inserts bills or coins for the wash package, and there is no feasible mechanism to collect an additional 30 cents sales tax. Self-serve meter boxes do not make change. Automated pay stations give back only 1 coin, quarters or dollars. To comply with the proposed law, an operator would have to pay the tax out of gross revenue. The tax would thus become, in effect, a gross receipts tax paid by the operator, not a sales tax paid by the customer.

Unlike much of the retail industry, carwash operators have always been very reluctant to raise their prices. Often the price of a carwash will remain the same for 4-7 years. We absorb the costs of doing business that go up every year; including electricity and health insurance for our employees. Most operators raise their prices only when they upgrade their facility and offer new services to the customer. The addition of a gross receipts/sales tax now would hit us hard.

We should look to the experience in other jurisdictions that have experimented with sales tax on services. Years ago, New York taxed carwash services. An exception was carved out for self-serve carwashes in 1997. In 2005, the exception was extended where the "service is done by automated equipment without the assistance of the purchaser or user of the service."<sup>3</sup> The City of Brighton, Colorado imposed a sales tax on carwashes and laundry owners in 2001 and repealed it in 2004.<sup>4</sup> It is clear that the revenue from taxing carwashes has seemed less important to the taxing jurisdictions than the confusion and unfairness that the tax creates.

We feel certain that the regressive impact on ordinary people's disposable cash will hurt our business. Our service is always a discretionary purchase. We respectfully ask you, as legislators, to refrain from exacerbating an already difficult situation.

Sincerely,  
Mid-Atlantic Carwash Association, Inc.

*David A. DuGoff*

David A. DuGoff

---

<sup>3</sup> New York Tax Law Section 1115(t) added to the Code in 1997 and amended in 2005.

<sup>4</sup> Reported at [http://carwash.com:80/News.asp?mode=4&N\\_ID=51065](http://carwash.com:80/News.asp?mode=4&N_ID=51065), October 28, 2004