International
Health, Racquet &
Sportsclub Association

Delegate Anne Kaiser
Chairperson, Ways and Means Committee
House Office Building, Room 131
6 Bladen St.
Annapolis, MD 21401

March 2, 2020

RE: House Bill 1628: AN ACT concerning Sales and Use Tax – Rate Reduction and Services

Dear Members of the House Ways and Means Committee,

My name is Joe Moore. I am President/CEO of the International Health, Racquet & Sportsclub Association (IHRSA), the leader in education, research and advocacy for the health and fitness industry, representing health clubs and fitness businesses worldwide as well as the 659 clubs in Maryland. I am writing to express concerns with House Bill 1628 and all efforts to tax wellness via applying the state sales tax to health club membership and services.

House Bill 1628 proposes applying the sales tax to fitness services and healthy lifestyles, and dedicating the resulting revenue to fund schooling. While IHRSA applauds the intent of this legislation, we respectfully suggest an alternative revenue source for funding these worthy programs, as evidence shows that taxing wellness makes for poor public policy.

Taxing Wellness is Poor Public Policy

Taxing wellness, particularly taxing membership to Maryland health clubs, is poor public policy, because it sends a message that discourages healthy behavior – exercise – that fights exploding healthcare costs, improves mental well-being, and boosts employee productivity.

If enacted, H.B. 1628 will have immediate negative consequences on the state's physical and fiscal health. For instance, obesity costs companies $4.3 billion in absenteeism, and about $506 per obese worker in lower productivity each year. There is also strong scientific evidence that obesity and physical inactivity, conditions that health club members aim to avoid, significantly increase the risk of multiple chronic conditions including heart disease, stroke, hypertension, diabetes, dementia, and various types of cancer. People with 1-2 chronic conditions pay up to twice as much in out of pocket health costs as people with no chronic disease. I urge you to support the benefits of encouraging healthy behaviors by opposing a tax on wellness.

Taxing health club services would increase the cost to the more than 737,000 residents who purchase fitness services and serve as a financial barrier to those looking to invest in their long-term health and wellbeing. While one might assume that a tax would not cause a major hardship, IHRSA's research reports that 46 percent of former health club members state that cost is a major factor in renewing their membership. Removing the current tax exemption would only increase this cost. Even small increases in price change consumer behavior – one needs to look no further than government efforts to raise or impose taxes on cigarettes and soda to understand that taxing purchases drives down consumption.

In an era of skyrocketing healthcare costs, inactivity, obesity, and associated lifestyle-related diseases, IHRSA believes the government should take all reasonable steps toward reversing sedentary lifestyles. Consider the following:

- Nationwide, 86% of healthcare costs are spent on chronic diseases
- Almost one third of Maryland adults are obese
- Collectively, the nation spends $117 billion in annual healthcare costs associated with inadequate physical activity, according to the Centers for Disease Control and Prevention, and only half of adults get the recommended amount of exercise experts say is necessary to prevent disease. A physically inactive population is a major strain on the state economy, contributing heavily to high state health insurance costs, while detracting from greater worker or student productivity and less absenteeism.

For these reasons, IHRSA believes the government should encourage regular exercise, rather than impose a barrier and disincentive to physical activity by taxing wellness.

Taxing wellness would also increase the cost to fitness businesses across the state. IHRSA estimates that applying the sales tax would cost each club in Maryland approximately $35,000 per year. These fitness businesses may choose not to expand their presence in the state or may open locations in other states that do not tax fitness, resulting in fewer job opportunities and revenue sources for Maryland. The health club industry generated $510 million in state revenue in 2019; and paid more than $16 million in payroll taxes.

If I can provide you with any additional information on this matter or about the fitness industry in Maryland, please do not hesitate to contact Jeff Perkins, assistant vice president of government relations, at jdp@ihrsa.org, or by calling IHRSA at (617) 951-0055.

Sincerely,

Joe

Joe Moore
President & CEO, IHRSA