



Testimony in Support of House Bill 1628 - Sales and Use Tax - Rate Reduction and Services
Ways and Means Committee - March 2, 2020 - 1:00 pm

Strong Schools Maryland supports House Bill 1628 proposing to lower the sales tax rate from 6% to 5% while expanding the sales tax to cover specific services.

Strong Schools Maryland is a nonpartisan, nonprofit, 501(c)(3) organization whose sole mission is to establish a world-class public education system for every student in Maryland. We are composed of thousands of volunteers and supporters in nearly every county in the state. Our supporters consist of parents, grandparents, small business owners, retirees, students, teachers, and Marylanders from every background and age. We have built support for implementing and fully funding the 10-year phase in of the Kirwan Commission's recommendations.

A strong public school system is critical to the long term success of our state. In order to build strong schools in every Maryland community, we must implement a new, equitable, accountable, and sustainable funding formula based on the Kirwan Commission's recommendations. A sustainable funding source is critical in order to keep the promise our state has made to families as well as meet our constitutional obligation of a thorough and efficient public education system supported and maintained by taxation¹. To that end, Strong Schools Maryland supports House Bill 1628 to contribute to the several sources of revenue, both current and new, that will be required to fully fund the Kirwan recommendations.

Strong Schools Maryland supports HB 1628. We support HB 1628 because, according to projections, it fully funds the state share of The Blueprint for Maryland's Future. Building a world-class education system is the most powerful economic development strategy available. After decades of neglect, especially of the most vulnerable students in the state, The Blueprint will deliver the thorough and efficient system of public education mandated in the Maryland Constitution.

HB 1628 reduces the sales tax on all Marylanders, modernizes our tax base and brings our policies into the 21st century. Currently, this is the only proposal before us that covers the state share of The Blueprint policies. Maryland cannot continue to grow a 21st century economy relying on 20th century revenue sources.

To provide some historical context, "In 1966, long before major U.S. factories began shutting down and jobs moved overseas, industries producing goods accounted for more than a third of gross

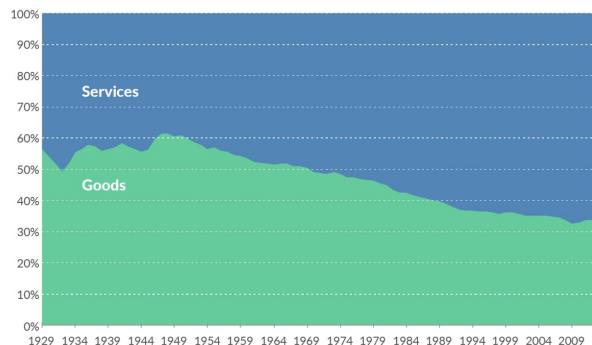
¹ Constitution of the State of Maryland, Article 8, Section 1

domestic product. By 2016, that kind of manufacturing was down to 18 percent of the economy, according to the federal Bureau of Economic Analysis. Over the same period, the services industry grew from half of GDP in 1966 to more than two-thirds in 2016.”²

This point is further illustrated by the business friendly Tax Foundation, when they endorsed states applying the sales tax to services.³ They cited several points, but central to their position is noting the historical trends showing services consuming a larger and larger portion of our economic activity. Allowing this upside-down revenue structure to continue without intervention will perpetuate the chronic underfunding of our community services.

Identifying new revenue sources for education now and making our schools the best in the world is not only smart, responsible policy; it is the right thing to do. We owe it to our youngest learners to set them up for the best shot at success. We owe it to our students to prepare them today for the jobs of tomorrow. We owe it to our teachers to compensate them fairly as the professionals they are. We owe it to parents and families to actualize the schools they envision for their children. We owe it to ourselves to build the best schools in the world. Lowering and expanding the sales tax to the services industry will do just that.

Percent of Total Personal Consumption Expenditures
Goods vs. Services, U.S. (1929-2013)



Source: Bureau of Economic Analysis, National Income and Product Accounts, "Personal Income and Outlays."

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For years, Maryland has been underfunding our public schools by billions of dollars. We have also been under investing in many other critical services your constituents rely on every day such as public transportation, health care, climate change mitigation, and public safety.

When we invest in our public schools, we make our economy stronger, we reduce crime, lower healthcare costs, and provide opportunities for all Marylanders to lead a life of their choice. It is critical that we support efforts that will help fund a public school system that will allow every child, regardless of where they live or which public school they attend, to receive a world-class education. It is not just the right and moral choice, it is the smart economic investment as well.

History will remember what we did for Maryland’s children when they needed us most. We need to act now. Our kids can’t wait.

We urge the committee to issue a favorable report for House Bill 1628.

² [Why States Are Struggling to Tax Services](#) (Pew Trusts)

³ [Sales Tax Base Broadening: Right-Sizing a State Sales Tax](#) (Tax Foundation)