



March 2, 2020

Dear Members of the House Ways and Means Committee:

On behalf of the undersigned organizations, representing a diverse coalition of Maryland businesses, small and large, as well as nonprofit organizations, we write to express our serious concerns regarding House Bill 1628: Sales-and-Use Tax, Rate Reduction and Services—a bill that would, in the words of Governor Hogan, “destroy our economy.”

This piece of legislation would lower the sales tax from 6% to 5% but would expand that 5% sales tax to everyday services that have never been taxed before: legal services, accounting services, realtor services, home improvement, gym memberships and auto services—just to name a few. HB 1628 would result in a massive tax increase of \$2.6 billion for Marylanders, the largest single tax increase in Maryland history.

That’s \$2.6 billion out of our pockets and a devastating blow to economic growth and hardworking small business owners and their families in Maryland. Taxing services of all types would result in the following destructive consequences:

- 1. Discrimination against small and fledgling businesses.** Small firms typically need to rely on outside services (legal, accounting, etc.) while larger companies can usually rely on in-house expertise that can provide these newly taxable services for no sales tax cost. Small and emerging companies will have to incur additional costs just to do business and to implement new tax-reporting mechanisms, which will limit their growth.
- 2. Pyramiding taxes.** Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.
- 3. Competitive disadvantage.** States with service taxes are at a disadvantage when it comes to competing with states that don’t tax services. HB 1628 would discourage the use of Maryland services, as well as discourage companies seeking to expand or relocate here. Note that none of our competitor states in the region broadly tax services. In fact, only Hawaii, New Mexico and South Dakota do.
- 4. Taxing services will disproportionately affect those who can least afford it.** The tax rate is the same for all consumers, no matter their income. If more services become taxable, a larger portion of the disposable income of lower-income individuals than that of higher-income individuals will go toward sales taxes.
- 5. Administrative burden.** Service providers, many of whom are independent contractors or small business owners, will now have to face a new administrative burden. As the Maryland Association of Certified Public Accountants (CPAs) has pointed out, other

states like Florida and Michigan have tried to tax a broad range of services only to quickly repeal them due to the complexity of administration, among other reasons.

- 6. Difficult to enforce due to geographic challenges.** For example, if an accountant is serving a client who owns gas stations in Maryland, Virginia and Washington, D.C., “it is unclear what state the service is being delivered from and what state the service is delivered to,” said Tom Hood, chief executive of the Maryland Association of CPAs, in the [Baltimore Sun](#).

We recognize the importance of education funding in the state of Maryland, but imposing taxes on everyday services should not be looked to as a solution for the reasons we’ve outlined above. For the economic security of our organizations and all Marylanders, we hope that you will reject this burdensome legislation.

Sincerely,

Maryland Chamber of Commerce
Anne Arundel County Chamber of Commerce
Baltimore County Chamber of Commerce
Caroline County Chamber of Commerce
Carroll County Chamber of Commerce
Dorchester County Chamber of Commerce
Gaithersburg-Germantown Chamber of Commerce
Greater Bethesda Chamber of Commerce
Harford County Chamber of Commerce
Howard County Chamber of Commerce
Rockville Chamber of Commerce
Washington County Chamber of Commerce

360 Your Business
Apparatus Repair & Engineering
Apprise Wealth Management
Audio Video Group
Avon Dixon Insurance Agency
Berkshire Hathaway Bowen Realty
Boyle Buick GMC

Clay Creek Landscaping
Club Pilates
Club Pilates
Dan Conklin, CPA/Attorney
Danny's Auto Body
Delmarva Poultry Industry, Inc.
Douglas Fiery Funeral Home



Early Bird Home Services, LLC
Eccentrics The Salon
Edwards Performance Solutions
Elegant Restoration, Inc.
Environmental Systems Analysis
EnviroProjects LLC
ESI Environmental Solutions, Inc.
E-Women Network
Fabulous Faces by Tocarra
FasFilming
Fibrenew Annapolis
Forest Hill Fit Body Boot Camp
Funk Electrical Services Inc
Grace and Elegance Salon
Hair on You
Kaffy's Place
Lane Engineering LLC
Law Office of Carpenter & Deisher LLC
Mackintosh Inc Realtors
Manpower
Maroon PR
Marty Schubert
Mathnasium of Columbia
MidAtlantic Photographic LLC
Mike's Works, LLC
Murthy Law Firm
Pacer Consulting
Pella Mid-Atlantic Inc.
Pura Vida Coffee
Sage Services Group
SCH Group
SCH Group
SOCSoter
Strategic Factory
Strategic Business Partnerships
The Squires Group, Inc.
Total Tax Service
TSL Karaoke Entertainment
W.R. McCain & Associates
Wish Kitchens and Baths
Xceed Networks, LLC

