

March 2, 2020

The Honorable Anne R. Kaiser
Chair, House Ways and Means Committee
House Office Building, Room 131
6 Bladen Street
Annapolis, MD 21401

RE: Opposition of House Bill 1628 (Sales and Use Tax - Rate Reduction and Services)

Dear Chairwoman Kaiser:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, strongly opposes House Bill 1628 (Sales and Use Tax - Rate Reduction and Services).

This bill reduces the general State sales and use tax rate from 6% to 5%, and imposes the State sales and use tax on all services, with limited exceptions. This would include services that have never been taxed before, like home improvement, legal, accounting, architecture, real estate, landscaping, settlement, engineering and inspection services. This is a major shift and will have serious consequences for individuals, families, and businesses throughout the State.

If taxpayers are required to spend more for services, they will purchase services in neighboring states where the services they need are more affordable, or may choose not to purchase them at all. Residents and businesses will also see an increase in their expenditures and cost of living, which will discourage them from buying anything, whether a good or a service. This will not generate extra revenue for the State.

Passing this measure would fuel the growing anti-business message in Maryland and puts Maryland businesses at a competitive disadvantage. Not only can Maryland businesses not compete with our neighboring states that do not have such a tax, they will have to pay the tax themselves for services rendered in the course of running a business. Costs would increase and customers would decrease. The ultimate result would increase the cost of building and housing and negatively impact affordable housing across the State, especially for first-time buyers and low to middle-income buyers. An example of this is a \$400,000 house. Fifty percent of the house is generally services (engineer, architect, contractors, labor, surveying etc.). The \$400,000 house now is \$10,000 more expensive (5% of \$200,000). According to the National Association of Home Builders, for every \$1,000 increase in the cost of a house, 2,881 Marylanders will be priced out of the market. In the example above, 28,810 Marylanders can no longer afford that \$400,000 house. Housing affordability is a huge issue in this state and this tax will exacerbate the issue.

For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: House Ways and Means Committee Members