DOORDASH

February 28, 2024

Delegate Marc Korman, Chair
Environment and Transportation Committee
Maryland General Assembly
Room 251
House Office Building
Annapolis, Maryland 21401

**Re: Testimony Regarding House Bill 1215, *Retail Delivery Fee and Transportation Network Company Impact Fee***

Chair Korman and Members of the Committee:

DoorDash appreciates the opportunity to provide testimony regarding House Bill 1215, legislation that would impose a new $.50 tax on delivery orders. We strive to make sure that DoorDash remains accessible and affordable for everyone who uses our platform. We oppose this bill and believe that a new delivery tax is likely to hurt consumers, retailers, and delivery workers.

**Delivery fees are highly regressive and likely to hurt Marylanders who can only afford to place lower-value orders.**

Due to their flat rate structure, delivery taxes are highly regressive. This means that people who need to place more frequent, low-value orders pay much more tax. As a result, we're concerned that a delivery tax would disproportionately impact lower-income residents that place lower-cost orders more often. The effective tax rate that people pay as a result can be significant. For example, while a person who places a single $100 order pays only $.50 of delivery tax, someone who places ten $10 orders pays $5.00 of delivery tax. This means that lower-income people could end up shouldering an unfair amount of this tax burden.

**Delivery taxes are bad for businesses (particularly small businesses) that benefit from delivery.**

A new delivery tax means that customers will pay more for the goods they're buying. When prices go up, people buy less. That means businesses will lose order volume and revenue. This could be particularly damaging for restaurants since delivery is an important component of many restaurants' business.

Small businesses have also struggled to adapt to delivery taxes. Many merchants that use DoorDash also accept their own orders for delivery outside of platforms like ours. That means they have to manage compliance independently. In the one state that currently charges a delivery tax, it has been a significant challenge for small businesses to adapt to this new tax framework since the fee doesn't apply to every order they take. Some small businesses in Colorado claimed to have spent more than $100,000 on compliance when a similar tax was passed there.[1] While the

[1] https://www.kktv.com/2022/07/07/new-colorado-retail-delivery-fee-causing-issues-small-businesses/

bill attempts to carve-out some small businesses, the revenue threshold would only exempt the smallest of businesses.

**Delivery taxes hurt workers that make extra income using delivery work.**

When merchants lose order volume and revenue, they are not the only people that get hurt economically. People who use delivery work on platforms like DoorDash to earn money also have few opportunities to generate extra income. Fewer orders also reduces the flexibility that platforms like DoorDash can offer, as more orders mean more freedom for people to choose when and where to work. Therefore, the trickle down effect of new delivery taxes goes beyond merchants and also hurts workers that benefit from delivery commerce.

**Delivery taxes can be confusing for consumers.**

The bill requires that when the delivery tax is charged to the consumer, it must appear as a separate line item called the "Road Impact Fee." This is likely to be confusing for customers, who don't understand that they are in fact being charged additional tax on their order, and may mistake this line item for an additional fee charged by the merchant. It also adds further fatigue to customers at checkout who see costs piling on to their order. By adding new taxes and charging them in this manner, HB 1215 could be particularly damaging to business' delivery sales.

**Delivery fees, by their nature, end up taxing items that should be tax exempt.**

Because they are applied at a flat rate on a per order basis, delivery fees are a blunt taxation instrument. While HB 1215 attempts to limit the delivery tax to items that are subject to sales tax, many orders are not so neatly divided. For example, a grocery order might contain a wide range of items, most of which are tax-exempt, but some of which are not. Someone might place their weekly grocery order consisting of tax-exempt food or medicines, but trigger the fee by adding something as simple as a bottle of soap. While the state's sales tax rules have been carefully crafted and refined to exclude certain items from tax, delivery fees are inherently less flexible and inevitably will override those thoughtful tax policy choices.

As a result, people who rely on delivery for necessities - for example, those with physical impairments or other mobility or transportation limitations - can also get disproportionately hurt by delivery taxes. Some populations need delivery services to get the basic goods they need. And as demonstrated above, it's easy to still get hit by the fee even when ordering items that most people would consider essentials.

**Delivery taxes are a bad policy mechanism to address transportation issues.**

Nearly every form of retail commerce generates impacts to the road system. When people drive to stores to shop or pick-up items, dine-out at their favorite restaurants, or pick-up groceries for dinner, they are traveling to get to these destinations. Placing new taxes on only delivery transactions just doesn't make sense given this reality. The inflexible nature of delivery taxes also provide poor incentives. While companies like DoorDash leverage their logistics capabilities to improve efficiency and reduce the miles traveled and road impacts by batching orders or assigning orders to low-impact vehicles like bikes, the fee still applies. On the whole, the fee doesn’t encourage companies to reduce road impacts, and arbitrarily picks some types of trips to tax more heavily.

Thank you again for hearing our perspectives on this bill.

Sincerely,
Chad Horrell
DoorDash