



AAA Mid-Atlantic's Testimony in OPPOSITION of HB 1515 SALES AND USE TAX - RATE REDUCTION AND SERVICES

Sponsor: Delegate Moon

- On behalf of our more than one million Maryland Members and all Maryland travelers and motorists, AAA Mid-Atlantic strongly **opposes** [HB 1515 - Sales and Use Tax - Rate Reduction and Services](#).
- We specifically **oppose** efforts to impose a sales tax on services, such as automobile repairs, roadside service, and travel services.
- If passed, HB 1515 would result in a massive tax increase - \$2.9 billion, impacting all Marylanders and businesses.
- While this bill proposes to lower the state sales tax from six percent to five percent, it would also expand the state sales tax to countless services that have never been taxed before, such as auto services, roadside services, and travel services, among many others.
- Expanding the sales tax to include labor on motor vehicle repairs (*it already applies to parts*) will further and significantly increase the cost of auto repairs. Labor is already, by far, the largest component of most repair bills.
- The tax could result in an increased number of unsafe vehicles on Maryland's roadways because motorists may defer vehicle maintenance, as well as motorists unsafely attempting to tow their vehicles themselves.
- A tax on car repairs and roadside services is regressive. The tax would particularly hurt low-income motorists for whom it is already difficult to pay for repairs and maintenance for their vehicles.
- The Maryland sales tax rate is the same for all consumers, no matter their income. Essentially, a tax on professional services will pose a burden to all Maryland working families, particularly those with lower incomes, who will be taxed at the same rate, despite having less disposable income.
- Another perhaps unintended consequence is the service tax effect on auto insurance. Auto body and repair services are significant to the cost of auto insurance claims. Adding this tax would further increase Maryland's already high auto insurance rates.

- While it is not completely clear how this tax would be applied to travel agencies – on gross receipts, on service or consultation fees, on commissions, etc. – we know this tax would increase the cost of doing business in Maryland by at least five percent and place Maryland travel agencies and businesses that provide travel services at a disadvantage with competitors in neighboring states.
- Besides the burdens these taxes would place on Maryland residents, HB 1515 would also hurt the overall economy, as none of Maryland’s competing states broadly tax services, according to the Maryland Chamber of Commerce.
- AAA is proud to join the Maryland Chamber of Commerce (MCC), the Maryland Retailers Association (MRA), the National Federation of Independent Business, Inc. (NFIB) and other business organizations to oppose this regressive and harmful legislation.
- We respectfully urge the Committee to render an **unfavorable report for HB 1515.**

Contacts:

*Ragina C. Ali, AAA Mid-Atlantic
Public and Government Affairs Manager
443.465.5020*

*Sherrie Sims, GS Proctor & Associates
Senior State Associate
410.733.7171*