



Maryland Motor Truck Association

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HEARING DATE: March 11, 2024
BILL NO/TITLE: House Bill 1515: Sales & Use Tax – Rate Reduction and Services
COMMITTEE: House Ways & Means Committee
POSITION: **Oppose**

House Bill 1515 would reduce Maryland's sales tax from 6% to 5%, while expanding the sales tax to a broad base of services that anyone purchases in the state.

Included in this proposal would be the unprecedented action of placing a sales tax on freight transportation. Maryland Motor Truck Association opposes this legislation for the following reasons:

- No state imposes a sales tax on the transportation of goods or products being delivered in interstate commerce. Maryland would become the first state in the country to impose such a tax. Virtually every movement of freight in Maryland is an interstate shipment.
- There is strong potential for Federal preemption as Congress has repeatedly made clear that interstate commerce such as trucking cannot be regulated by the states.
- The Port of Baltimore would be severely impacted by taxes on transportation services. The **cost of doing business at the Port would automatically increase 5%** by simply adding the new sales tax on the transportation costs. In addition, motor carriers and others providing services will need to increase rates to adjust for the new costs they are now paying for other taxed services (e.g., legal, accounting).
- Shippers utilizing the Port of Baltimore can easily relocate their deliveries to competing ports where the tax burden does not include transportation services.
- Trucking companies would have an impossible situation of Maryland being an island surrounded by jurisdictions that do not tax services. **Maryland trucking companies will be at a distinct disadvantage against competitors in neighboring states who are not required to charge the sales tax on their delivery services.**
- A good or product transported to or through the state goes through multiple different tax jurisdictions making the practical reality of collecting a tax on interstate commerce related only to Maryland an administrative nightmare.
- As part of the logistics chain, a load or product may be handled by multiple companies as it moves across the country making it difficult to assess which company should be applicable to a sales tax on transportation services.
- The growth of e-commerce opens up numerous issues/questions:
 - The U.S. Postal Service, which handles an enormous number of e-commerce deliveries, is exempt from the sales tax on transportation services. This gives the USPS a competitive advantage against private companies, who employ hundreds of thousands of workers.
 - If a shipment originates in Maryland, but the delivery is to another state, is the tax collectable?
 - If a shipment originates in another state, but is delivered into Maryland, is the tax collectable?
 - For interstate shipments, is the tax only collected on the cost of the delivery that occurred in Maryland?

For the reasons noted above, Maryland Motor Truck Association urges an unfavorable report on this legislation.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a non-profit trade association representing the trucking industry since 1935. In service to its 1,000 members, MMTA is committed to support, advocate and educate for a safe, efficient and profitable trucking industry in Maryland.

For further information, contact: Louis Campion, (c) 443-623-4223