



**MARYLAND
TOURISM
COALITION**

February 7, 2024

Maryland House of Delegates
Delegate Wilkins, Chair
Ways and Means Committee
121 House Office Building
6 Bladen Street
Annapolis, MD 21401

RE: **Opposition** to HB 1515 - Sales and Use Tax - Rate Reduction and Services

Chairperson Wilkins and Members of the Committee,

House Bill 1515 would lower the sales tax from 6% to 5% but would expand it to everyday services including legal services, realtor services, home improvement, auto services—just to name a few. Though a fiscal note has not been released as of this writing, the bill sponsors maintain that this legislation would result in \$2.6 billion in additional revenue for the State, and that an average Maryland family earning \$80,000 per year would pay approximately \$3 more per week under the expanded sales tax proposal.

We believe that taxing all services is bad public policy for the following reasons:

A tax on services is discriminatory against small and fledgling businesses.

Small businesses rely on outside services, which make up the majority of tourism-related business (legal, accounting, etc.) while larger companies can utilize in-house expertise for these newly taxable services at no additional cost. As a result, small and start-up businesses will incur additional costs just to operate in the State.

This legislation will result in pyramiding taxes.

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

A tax on services puts Maryland businesses at a competitive disadvantage relative to other states.

States with service taxes are at a disadvantage when it comes to competing with states that don't tax services. HB 1515 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.

Implementation of a tax on services presents a tremendous administrative burden, particularly for small business owners.

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.

There is widespread opposition to this bill from many segments of the business community. On Monday, March 2, 2020, the Maryland Chamber of Commerce was joined by the following business organizations to express our strong opposition to House Bill 1628 and its negative potential impact on our state's economy:

- Maryland Chamber of Commerce
- National Federation of Independent Business (NFIB)
- Maryland Retailers Association (MRA)
- Maryland Motor Truck Association (MMTA)
- Maryland REALTORS®
- American Council of Engineering Companies/Maryland (ACEC/MD)
- Maryland Association of Certified Public Accountants (MACPA)
- Apartment & Office Building Association of Metropolitan Washington (AOBA)
- Maryland State Bar Association (MSBA)
- NAIOP—Commercial Real Estate Development Association, Maryland Chapter
- Mid-Atlantic Petroleum Distributors Association (MAPDA)
- Washington, Maryland, Delaware Service Station and Automotive Repair Association (WMDA/CAR)
- Maryland Building Industry Association
- Maryland Society of Accounting & Tax Professionals (MSATP)
- Maryland Associated General Contractors
- Independent Electrical Contractors, Chesapeake (IEC)
- Associated Builders and Contractors (ABC)
- Maryland Hotel Lodging Association (MHLA)
- AAA Mid-Atlantic
- Maryland Nursery, Landscape and Greenhouse Association (MNLGA)
- American Property Casualty Insurance Association
- Maryland Bankers Association
- Maryland Nursery, Landscape, and Greenhouse Association
- Maryland Association of Mutual Insurance Companies (MAMIC)
- Insurance Agents and Brokers of Maryland (IA&B)
- Building Owners and Managers of Greater Baltimore (BOMA)
- Maryland Association of Health Underwriters (MAHU)
- National Association of Insurance and Financial Advisors of Maryland (NAIFA MD)
- Insured Retirement Institute (APCIA)

Representatives from the small business community are equally concerned about the impact that this would have on their ability to create jobs, grow and thrive in Maryland.



**MARYLAND
TOURISM
COALITION**

We fully understand that the State is looking for ways to increase revenues in a down budget year. However, we feel that this legislation is short sighted and will discourage new businesses from opening and existing businesses from expanding in Maryland. For these reasons, the Maryland Tourism Coalition asks this committee for an unfavorable report for House Bill 1515 - Sales and Use Tax - Rate Reduction and Services.

Respectfully submitted,

Matt Libber
Legislative Chair
Maryland Tourism Coalition
mllibber@mdsoccerplex.org
301-528-1480