



LEGISLATIVE POSITION:

Unfavorable

HB1515—Sales and Use Tax - Rate

Reduction and Services

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House Ways & Means

Thursday, March 7, 2024

Dear Chairman Moon and Members of the Committee:

The Maryland Motorcoach Association (MMA) is the leading voice for private motorcoach carriers in Maryland and is a statewide association of more than 250 members and partners. We work to develop and promote safe and secure transportation to Marylanders of all types.

House Bill 1515 seeks to alter the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services; altering the rate of the sales and use tax; altering the percentage of gross receipts from vending machine sales and from certain sales of dyed diesel fuel to which the sales and use tax is applied; altering the rate of the sales and use tax applied to certain charges made in connection with sales of alcoholic beverages; etc.

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 like our MMA Members.

Small businesses rely on outside services (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 against MMA Members.

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 MMA 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 1628 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.

Taxing services will disproportionately affect those who can least afford it.

The tax rate is the same for all consumers, no matter their income. If more services become taxable, a larger portion of the disposable income of lower-income individuals than that of higher income individuals will go toward sales taxes.

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

Service providers such as MMA Members, many of whom are 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.

A tax on services will be difficult to enforce due to geographic challenges.

For example, if an accountant is serving a client who owns gas stations in Maryland, Virginia and Washington, D.C., "it is unclear what state the service is being delivered from and what state the service is delivered to," said Tom Hood, chief executive of the Maryland Association of CPAs, in the Baltimore Sun.

There is widespread opposition to this bill from many segments of the business community and representatives from other the small business communities are equally as concerned about the impact that this would have on their ability to create jobs, grow and thrive in Maryland.

For these reasons, the Maryland Motorcoach Association respectfully requests an **Unfavorable Report** on House Bill 1515.

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MMA represents the interests of the Privately Owned Maryland Motorcoach Operators across the state and industry together with our tourism partners, destination marketing organizations, small businesses, coach manufacturers, and equipment suppliers all of whom are counted among our members we strive to promote the efficient and secure transportation of Marylanders across the state.