

Testimony to the Maryland Legislature

House Ways & Means Committee

Re: House Bill 1515: Sales & Use Tax- Rate Reduction and Services

March 7, 2024

Honorable members of the House Ways & Means Committee, thank you for the opportunity to submit testimony on House Bill 1515: Sales and Use Tax – Rate Reduction and Services. UPS strongly opposes this bill, specifically as it relates to a tax on shipping and delivery services. As the largest logistics company in the world that employs Teamsters, I am here to express my concerns about the proposed sales tax on services. The logistics industry consists of a multitude of different operating models, from reputable companies like UPS – which owns its equipment and utilizes unionized labor – to industry providers that rely on out-of-state, independent contractors with lax shipment documentation. Companies also differ based on what is included in a shipment. Final mile carriers typically identify any parcel as a unique shipment while other logistic companies may categorize an entire pallet of goods as a “single shipment.” Not only would a sales tax on shipping and delivery lead to a wide disparity in collection rates, but it would also be negatively impacted by high rates of tax evasion from less than reputable carriers.

Most importantly, a sales tax on shipping and delivery services would increase costs for consumers and businesses of all sizes in Maryland. Small and medium-sized enterprises are the backbone of the U.S. economy and would be significantly burdened by this additional tax as the cost would inevitably be passed onto their customers. This could lead to a decrease in consumer spending, which is a vital driver of Maryland’s economy. This proposed tax could also place the state of Maryland at a competitive disadvantage with other states. As the only state with a shipping and delivery service tax, Maryland businesses would face a competitive disadvantage against businesses located in neighboring states. This could lead to job losses and overall decreased economic activity for the entire state. Finally, a service tax could disproportionately affect lower-income households. These households spend a larger proportion of their income on services and would therefore bear a heavier burden of the tax.

In conclusion, while it is essential for the state of Maryland to meet its stated objectives, implementing a sales tax on services, specifically on shipping and delivery services, would have significant negative implications for the Maryland economy and its residents. I urge the committee to consider these potential consequences and exempt a shipping and delivery services tax for all the reasons aforementioned.

Thank you for your time and consideration.

Sincerely,



Axel Carrion
Vice President – State Public Affairs
UPS