



House Bill 1515 -- Sales and Use Tax - Rate Reduction and Services
House Ways and Means Committee
March 11, 2024
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 1515 -- *Sales and Use Tax - Rate Reduction and Services*.

House Bill 1515 imposes a sales tax on virtually all services while lowering by one percentage point the current six percent sales tax. "Taxable service" is defined as "any activity engaged in for a buyer for consideration." Services excluded from the sales tax include educational services, health care assistance services, services provided by religious organizations, and various social or non-profit services.

MCCC is opposed to this extraordinarily large tax increase, which would impact virtually every sector of Maryland's economy. A broad sales tax on services would harm economic growth and job creation, negatively impact the State's competitiveness, and may result in some industry sectors divesting from Maryland. House Bill 1515 creates an uncompetitive climate by imposing a tax system on businesses that exists virtually nowhere in the country.

Not only does an overly broad sales tax on services harm the State's business competitiveness, but it also creates administrative confusion. Maryland companies, many of them small businesses, will be left to determine who to tax and what services are taxable, sometimes at a significant cost to the business itself. The administrative and compliance problem will drive some industries to consolidate their businesses outside of Maryland's borders to avoid the complication.

Additionally, this legislation was introduced very late in the session and has not been afforded ample opportunity to be fully studied. Maryland's business community has not been provided with a reasonable chance to fully consider the consequences of such a massive change in tax policy. For these reasons, MCCC continues to advocate for the creation of a commission to examine Maryland's entire tax structure and make recommendations on how to make it more fair, equitable, and economically competitive. This more comprehensive and strategic path should be adopted, rather than a piecemeal approach to tax policy. It is paramount that a variety of voices are heard when considering significant changes to how businesses are taxed.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 1515 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

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