Delegate Vanessa E. Atterbeary, Chair
Delegate Jheanelle K. Wilkins, Vice-Chair
House Ways & Means Committee
House Office Building, Room 131
Annapolis, Maryland 21401

Re: ***House Bill 1515: Sales and Use Tax - Rate Reduction and Services – Opposed***

**March 11, 2024**

Dear Chairwoman Atterbeary and Members of the House Ways & Means Committee:

On behalf of the Mid-Atlantic Sports Field Manager Association (MASFMA) and the Maryland Turfgrass Council (MTC), we write this letter in opposition to House Bill 1515: *Sales and Use Tax - Rate Reduction and Services.*

The Mid-Atlantic Sports Field Management Association (MASFMA) is a non-profit organization that is composed of sports turf field managers and workers from Maryland, Delaware, Washington D.C., and Northern Virginia. As MASFMA members, we partner together to promote education, teamwork, networking, and best practices among our peers and within the Sports Turf Management Industry. Once again, MASFMA has partnered with Maryland Turfgrass Council (MTC) this year to bring a more unified front from all aspects of our industry. MTC represents all areas of the turf industry including golf, sports turf, sod producers, landscape, lawncare and commercial vendors and suppliers.

As written in 2020 and now in 2024, this legislation expands the definition of taxable service(s) to impose the State sales and use tax on almost all services.

Both MTC and MASFMA strongly oppose the passage of HB 1515. Adding a 5% tax to services that include landscapers will have a negative impact on many small businesses that are already struggling to keep up with the large corporations. Not all expenses can be passed on to consumers directly since the small businesses use the services themselves. This will affect the budget in many different directions, but the bottom line is cost of business is going up.

Small businesses will be impacted as they will have to charge their clients extra for the same amount of work, which will lead to many potential customers going elsewhere for the same work as they will be able to get it done cheaper. For lawn care and grounds maintenance companies, we provide services that many people can't do themselves to maintain their properties. The passage of this new tax will be regressive onto our industries and to many low-income and struggling communities across the State.

The long-term impact on small businesses will become evident within months of this bill being passed. The consumers will take on the burden of this tax which means less money will be spent as their buying power will be reduced, less service for more money. This could also lead to several people who are not fully licensed because they simply don't pay the taxes or are unlicensed which will then undercut legitimate small business owners.

Most people operate on a tight budget for many repairs and other services they need done to keep their homes safe for their families. Imposing a new tax that they will inevitably be paying for reduces the amount of work they can have done. If a family must then choose between fixing a major problem in their home the right way or doing it in the cheapest way possible, potentially from someone who may not be license, they may have no choice but go with the riskier option.

Alternatively, as expressed in the fiscal note, "*to the extent possible, residents may purchase services in neighboring states where these services are not taxed (or are taxed at a lower tax rate) or may choose not to purchase these services at all. The extent to which this may occur cannot be reliably estimated, but a majority of Maryland residents live within a short distance to a neighboring state and, therefore, could have access to service providers located in other states*."

MTC and MASFMA are fully aware of the State's fiscal woes and the spending mandates legislatively enacted over the years. These mandates obligate the State to provide adequate investments, over time, to various (but important) initiatives that benefit the State and its citizens – most notably, the investments in our public education systems.

Again, citing the bill's fiscal note, it states, "*Blueprint for Maryland's Future Fund Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to the BMFF the following percentage of the remaining sales and use tax revenues:*

- *9.2% for fiscal 2023;*
- *11.0% for fiscal 2024;*
- *11.3% for fiscal 2025;*
- *11.7% for fiscal 2026; and*
- *12.1% for fiscal 2027 and each subsequent fiscal year*."

When considering the aggregate of the negative impacts this legislation will have on industries, as well as other professions; the current state of national inflation; and the very real possibilities expressed in fiscal note that Marylanders will find a cheaper alternative in neighboring states where these services are not taxed (or are taxed at a lower tax rate) or may choose not to purchase these services at all, the amount of revenues going into the *Blueprint* will continue to diminish.

Should this occur, what will lawmakers do then – *raise the tax percentage on our services or some other taxable mechanism?* We caution the Maryland General Assembly to consider passing HB1515 or any other legislative measure that will impose more draconian burdens on Maryland businesses to compensate the State's inability to exercise better fiscal prudency. At some point, the State will need to find alternative methods to support these legislative mandates and investments, because the expected revenues to sustain them by businesses and industries will have either closed or migrated to other states.

For these reasons we at MASFMA and MTC oppose House Bill 1515 and respectfully request this committee to give this bill an UNFAVORABLE report.

Thank you,

Jason Bowers

Jason Bowers, President - MASFMA

Patrick Coakley

Patrick Coakley – Vice President - MTC