

## Testimony in Opposition to SB 823

No Tax on Tips Act Finance & Budget and Taxation Committees – March 5, 2025

The Maryland Hotel Lodging Association is in strong opposition to <u>SB 823</u> due to the crippling nature it would have on our hotel members' ability to efficiently operate.

<u>SB 823</u> goes far beyond eliminating the tax on tips, as it would incrementally increase the minimum wage to \$20 an hour while also phasing out the tip credit by July 1, 2028. It would also require specific disclosures related to service fees charged by a food service facility. MHLA is opposed to all aspects of this bill except the proposed elimination of the "tax on tips" – if amended to retain the tip credit in Maryland.

In recent years the legislature, as well as various local municipalities, have passed increases to minimum wage. This has resulted in an exponential increase in both labor and related payroll expenses. Since 2018, Maryland's minimum wage has increased a staggering 49%, with a \$15.00 minimum wage taking effect January 1, 2024.

In the hotel business, positions that "start" at minimum wage are often those positions that are entry level or require little to no experience or existing skill sets at the time of employment. As minimum wage has increased, so have the wages for associates with more experience, seniority and training due to wage compression in the workforce. Therefore, as minimum wage has exponentially increased so have all the other wages upstream. This factor alone has contributed to an explosion in labor and payroll expenses, which is our industry's largest expense.

Although top-line revenue at hotels has increased over the last few years, it has not matched the level of inflation related to all the other various expenses that our members have had to absorb. In addition to the increases in labor and payroll expenses, hotels are challenged with increases in energy costs, coming into compliance with BEPS, insurance and professional expenses (cable service, trash service, pest control, landscaping, etc.) and inflationary costs due to market and supply chain factors for guest and operating supplies as well as all aspects of food and beverage supply and delivery.

The <u>AHLA 2025 State of the Industry Report</u> shows that hotel growth is flattening, which is alarming as property level costs continue to rise faster than revenues, making it challenging for small business hotel owners to stay open and serve guests. While we <u>urge an</u> <u>unfavorable report on SB 823</u>, we welcome opportunities to partner with the Maryland General Assembly on policies to help our members overcome these challenges so they can create pathways for their employees to find lasting careers and serve their guests.

Respectfully submitted,

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