



MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

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January 31, 2025

Chair, House Ways and Means Committee
House Office Building, Room 131
6 Bladen Street
Annapolis, MD 21401

RE: HB 1005 - Income Tax – Tips or Gratuities – Subtraction Modification (No Income Taxes on Tips Act) - OPPOSE

Dear Chair and Committee Members:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents.

We must respectfully oppose House Bill 1005, the "No Income Taxes on Tips Act," due to significant concerns regarding its implementation and broader implications for Maryland's tax system. While we acknowledge the intent to support service industry workers, this legislation would introduce unnecessary complexity in tax preparation and administration.

The disparity between federal and state treatment of tip income would necessitate extensive modifications to existing tax preparation software and procedures, potentially increasing the likelihood of errors and the cost of tax preparation services. Moreover, this bill raises fundamental questions of tax equity by creating a special exemption for one type of earned income while similar income in other industries remains fully taxable. From a revenue perspective, the state would forfeit substantial tax revenue from tips and gratuities at a time when Maryland faces numerous fiscal challenges. The compliance and enforcement aspects of this legislation also present concerns, as it may be challenging to verify whether reported tips qualify under the specific categories outlined in the bill. Additionally, the bill could inadvertently encourage underreporting of other forms of income or misclassification of compensation as tips to exploit the tax benefit. Instead of this targeted approach, we recommend considering comprehensive tax reform that would offer equitable relief to all low and middle-income workers.

We recommend an unfavorable report on HB 1005.

Respectfully submitted,

Giavante' Hawkins
Maryland Society of Accounting and Tax Professionals

