

Testimony to the Maryland Legislature

House Ways & Means and Environment and Transportation Committee

Re: House Bill 846: Transportation Access and Revenue Act

February 13, 2025

Honorable members of the House Ways & Means Committee, and Environment and Transportation Committee, thank you for the opportunity to submit testimony on House Bill 846: Transportation Access and Revenue Act. 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 or out of state carriers.

To be clear, this bill as written today, will directly cost Teamster jobs. UPS as the largest Teamster employer, provides the highest wages and benefits in the industry, In fact, following our historic contract reached with the Internation Brotherhood of Teamsters and ratified in 2023, UPS drivers will earn an average of \$170,000 in annual pay and benefits by the end of our five-year contract agreement. At a time when union membership continues to decline with only 6.7% of private sectors workers being unionized (down from 6.9%), this bill will only cause additional pressures to those numbers. Small and middle market customers, which are the largest segment supporting UPS Teamster jobs are already paying a premium to use UPS services. However, this bill will encourage our customers to look for alternative lower cost nonunion options or switch to the Unites States Postal Service which as a government entity, cannot be taxed by the State of Maryland. Asking our customers to pay another 6% cost, when many are already struggling to turn a profit is simply too much for many to bear. Moreover, our largest shipper would have the option of delivering their own product at free shipping not subject to the tax or choose to divert their packages to the USPS or other lower cost nonunion independent carrier options. This too could cost hundreds of UPS Teamster jobs.

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, its residents and Teamster union membership. With no other state taxing shipping and delivery services, UPS has no mechanism in place to collect this tax. This would be a significant and costly burden to stand up a system to meet the requirements of this bill. 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,

A handwritten signature in cursive script, reading "Axel Carrion".

Axel Carrion
Vice President – State Public Affairs
UPS