



February 26, 2020

The Honorable Anne R. Kaiser
Ways and Means Committee
Room 131, House Office Building
Annapolis, MD. 21401

Re: HB 1628 – Sales and Use Tax - Rate Reduction and Services – Oppose

Dear Delegate Kaiser:

The Carroll County Chamber of Commerce stands with our colleagues at the Maryland Chamber of Commerce in our opposition to HB 1628.

This proposed legislation would lower the sales tax from 6% to 5% but would expand that 5% sales tax to everyday services that have never been taxed before, such as legal services, accounting services, realtor services, home improvement, gym memberships and auto services, to name a few. This would result in a massive tax increase of \$2.6 billion for all Marylanders, the largest single tax increase in Maryland history.

That's \$2.6 billion out of our pockets and a devastating blow to economic growth and hardworking small business owners and their families in Maryland. As the Maryland Chamber points out, taxing services of all types would result in the following destructive consequences:

- 1. Discrimination against small and fledgling businesses.** Small firms typically need to rely on outside services (legal, accounting, etc.) while larger companies can usually rely on in-house expertise that can provide these newly taxable services for no sales tax cost. Small and emerging companies will have to incur additional costs just to do business and to implement new tax-reporting mechanisms, which will limit their growth.
- 2. Pyramiding taxes.** Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.
- 3. Competitive disadvantage.** States with service taxes are at a disadvantage when it comes to competing with states that don't tax services. HB 1628 would discourage the use of Maryland services, as well as discourage companies seeking to expand or relocate here. Note that none of our competitor states in the region broadly tax services. In fact, only Hawaii, New Mexico and South Dakota do.
- 4. Taxing services will disproportionately affect those who can least afford it.** The tax rate is the same for all consumers, no matter their income. If more services become taxable, a larger portion of the disposable income of lower-income individuals than that of higher-income individuals will go toward sales taxes.
- 5. Administrative burden.** Service providers, many of whom are independent contractors or small business owners, will now have to face a new administrative burden. As the Maryland Association of Certified Public Accountants (CPAs) has pointed out, other states like Florida and



Michigan have tried to tax a broad range of services only to quickly repeal them due to the complexity of administration, among other reasons.

6. Difficult to enforce due to geographic challenges. For example, if an accountant is serving a client who owns gas stations in Maryland, Virginia and Washington, D.C., “it is unclear what state the service is being delivered from and what state the service is delivered to,” said Tom Hood, chief executive of the Maryland Association of CPAs, in the Baltimore Sun.

We recognize the importance of education funding in the state of Maryland, but imposing taxes on everyday services should not be looked to as a solution for the reasons we’ve outlined above. For the economic security of our organizations and all Marylanders, we hope that you will reject this burdensome legislation.

The Carroll County Chamber of Commerce, a business advocacy organization of over 600 members, opposes this bill and asks that you give it an unfavorable vote.

Sincerely,

A handwritten signature in black ink that reads 'Mike McMullin'.

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Delegate Haven Shoemaker
Senator Justin Ready