



GREATER
ROCKVILLE
CHAMBER OF COMMERCE

Empower
Amplify
Elevate

LEGISLATIVE POSITION:

Unfavorable

House Bill 1515—Sales and Use Tax— Rate Reduction and Services
House Ways & Means Committee

Monday, March 11, 2024

Dear Chairwoman Atterbeary and Members of the Committee:

Founded in 1958, the Greater Rockville Chamber of Commerce is the leading voice for business in and around the Greater Rockville region of the State. We work to develop and promote strong public policy that ensures sustained economic growth for our businesses, employees and families.

House Bill 1515 would lower the sales tax from 6% to 5% but would expand it to everyday services including legal services, realtor services, home improvement, auto services, and most of our small businesses—just to name a few.

We believe that taxing all services is bad public policy for the following reasons:

A tax on services is discriminatory against small and fledgling businesses.

Small businesses rely on outside services (legal, accounting, etc.) while larger companies can utilize in-house expertise for these newly taxable services at no additional cost. As a result, small and start-up businesses will incur additional costs just to operate in the State.

This legislation will result in pyramiding taxes.

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

A tax on services puts Maryland businesses at a competitive disadvantage relative to other states.

States with service taxes are at a disadvantage when it comes to competing with states that don't tax services. HB 1515 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.

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.

Implementation of a tax on services presents a tremendous administrative burden, particularly for small business owners.

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.

There is widespread opposition to this bill from many segments of the business community.

- Maryland Chamber of Commerce
- National Federation of Independent Business (NFIB)
- Maryland Retailers Association (MRA)
- Maryland Motor Truck Association (MMTA)
- Maryland REALTORS®
- American Council of Engineering Companies/Maryland (ACEC/MD)
- Maryland Association of Certified Public Accountants (MACPA)
- Apartment & Office Building Association of Metropolitan Washington (AOBA)
- Maryland State Bar Association (MSBA)
- NAIOP—Commercial Real Estate Development Association, Maryland Chapter
- Mid-Atlantic Petroleum Distributors Association (MAPDA)
- Washington, Maryland, Delaware Service Station and Automotive Repair Association (WMDA/CAR)
- Maryland Building Industry Association
- Maryland Society of Accounting & Tax Professionals (MSATP)
- Maryland Associated General Contractors
- Independent Electrical Contractors, Chesapeake (IEC)
- Associated Builders and Contractors (ABC)
- Maryland Hotel Lodging Association (MHLA)
- AAA Mid-Atlantic
- Maryland Nursery, Landscape and Greenhouse Association (MNLGA)
- American Property Casualty Insurance Association
- Maryland Bankers Association
- Maryland Nursery, Landscape, and Greenhouse Association
- Maryland Association of Mutual Insurance Companies (MAMIC)
- Insurance Agents and Brokers of Maryland (IA&B)

- Building Owners and Managers of Greater Baltimore (BOMA)
- Maryland Association of Health Underwriters (MAHU)
- National Association of Insurance and Financial Advisors of Maryland (NAIFA MD)
- Insured Retirement Institute (APCIA)

Our members, mostly from the small business community, are equally as concerned about the impact that this would have on their ability to create jobs, grow and thrive in Maryland.

For these reasons, the Greater Rockville Chamber of Commerce respectfully requests an **Unfavorable Report** on House Bill 1515.

Sincerely,

Marji Graf
President & CEO
Greater Rockville Chamber of Commerce
1 Research Court, Suite 450
Rockville, MD. 20850