



March 7, 2024

Ways and Means Committee
Delegate Vanessa E. Atterbeary
Room 131
House Office Building
Annapolis, Maryland 21401

Re: HB 1515 Sales and Use Tax – Rate Reduction and Services – Oppose

Dear Delegate Atterbeary:

The Carroll County Chamber's primary opposition to HB 1515 is that this is a regressive tax and would significantly increase the cost of living for many Marylanders. Maryland is already among the highest cost of living states in the nation.

Lower income workers will be the most affected because more of their income is subject to sales tax. If the Maryland General Assembly is concerned about lower income workers' access to affordable housing and wages, they would not support passage of HB 1515.

The Maryland business community has been warning about the adverse effect that tax increases such as HB 1515 have on Maryland's business climate compared to competing jurisdictions. This concern was reinforced by the recent State of the Economy report by the Maryland Comptroller which states: "Maryland's economic growth effectively stalled in 2017 and, outside of the pandemic, has been stagnant ever since."

We understand that the intention of HB 1515 is to increase revenue and eliminate the state deficit but doing so in this manner will cause more harm than the benefit intended.

There are 17 Services that **ARE subject to the Maryland Sales and Use Tax**.

It is not practical to provide a complete list of the services that **ARE NOT subject to the Maryland Sales and Use Tax**, that list is virtually endless. If you have not heard from your local barber, beautician, drycleaner, health club, childcare provider, cable provider, electrician, plumber, car repair, or realtor, etc. you eventually will. For many very small businesses, the imposition of HB 1515 will cause additional, unwarranted administrative difficulties.

We should ask ourselves the question: why has Maryland avoided taxing services?

One reason would be due to lack of public support.

During the Special Session of 2007, the General Assembly enacted SB 2 imposing a 6% sales tax on "Computer Services" to be effective in January 2008. There was such a furious statewide reaction from business and constituents that the tax was rescinded as soon as the 2008 General Assembly convened in 2008. Imagine what

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the reaction will be from the passage of HB 1515 in 2024?

The sponsors may believe by reducing the sales tax to 5%, the bill will be received as a saving rather than an increase. However, voters will soon be informed that the annual sales tax will increase by an estimated \$2.9 Billion. They will realize that the increase in sales tax is going to impact them either directly or be passed on to them in higher prices. Furthermore, as people see all the additional services to which the 5% sales tax will apply, they will likely be unsupportive.

In the past the General Assembly has avoided sales tax on business-to-business sales because business products and services have already been taxed via corporate income tax, income tax, employees' income tax, other fees, and taxes, etc. and incorporated into the cost of the retail, wholesale, construction price, etc.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, opposes this bill. We therefore request that you give this bill an unfavorable report.

Sincerely,

A handwritten signature in black ink that reads "Mike McMullin". The signature is written in a cursive, flowing style.

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Senator Justin Ready
Delegate April Rose