



Maryland Chamber of Commerce

## Legislative Position

Sales Tax-  
Property  
Management

-OPPOSE-  
B&T/W&M/  
APP Comms.  
Nov. 1, 2007

### Tax Reform Act of 2007 (SB 2 and HB 2)

#### Sales Tax on Real Property Management Services

**Summary:** This provision would impose sales tax on “a real property management service” effective July 1, 2008.

**Chamber Position:** The Maryland Chamber of Commerce opposes this expansion of the sales tax base.

- The tax will harm consumers and small businesses through increased costs of renting apartments, homes and offices. Most small businesses must rent rather than own their office space, and much of the rental housing market is comprised of middle and lower income consumers.
- This tax is another case of harm to small business owners, while larger businesses may not be subject to the tax – because larger businesses may be able to hire employees to manage their buildings, and therefore not be liable for the tax, while small businesses may require outside management service providers and therefore would be taxable.
- Sales taxation of business to business services, such as real property management services, create inefficiency, inequity and economic distortion, e.g. by encouraging the business to self-provide these services in order to avoid the tax, rather than purchasing the services from more efficient providers and paying the sales tax.
- Sales taxation of this type of service generates legal uncertainties, for example in determining the location of the service and location of the tax when some or all of the “management” activities may occur outside the state (via telephone, paperwork, etc.). even though the real property is located in the state.
- This provision would add complexity to Maryland’s tax code and economy that most states have chosen to avoid by not taxing these services.
- The small amount of potential tax revenue associated with this change is not worth the harm that it will do.

The Maryland Chamber of Commerce respectfully urges that this provision be given an unfavorable report.

**Contact:** Karen T. Syrylo, CPA, [ksyrylo@mdchamber.org](mailto:ksyrylo@mdchamber.org)